2022

SOUTH AFRICAN POST OFFICE SOC LTD

ANNUAL REPORT

Post Office
South Africa

Highlights for the year

Financial Highlights

- Revenue increase of R6 million (1%) from previous year
- Expense budget of R6.912 billion achieved at R6.130 billion
- Net loss for the period under review at R2.2 billion

Operational Highlights

- Mail delivery performance improvement from 52.95% to 68.36%
- 274 771 addresses were geo-referenced
- Continuation of distribution network optimisation by consolidating and merging urban non-performing branches with better performing outlets
- Identification of co-development opportunities with industry partners
- 146 branches closed, of which 55 were amalgamated
- Logistics fleet reduction from 1 236 to 366 vehicles, requiring national line-haul to run on 18 routes
- Continued contribution to the Nal'ibali programme to distribute 90 280 supplements to branches for collection and delivered reading supplements to 1 034 reading clubs

Strategy

- Post Office of Tomorrow Strategy adopted for turnaround of the organisation
- Critical modernisation and digitalisation programmes initiated

Information Technology

- Online Motor Vehicle License system was launched in February 2022
- Engagement with SITA for Government private cloud hosting
- Whitespace proposal for the lift and shift of the current IT infrastructure at the SA Post Office Data Centre to a stable data centre environment
- Development of Electronic eRegistered mail service for Road Traffic Management Corporation (RTMC)
- Integration of international customers onto IPS platform

Human Resources

- Permanent staff numbers reduced from 15 826 to 14 460
- Employee Satisfaction level established at 42%
- No annual salary increases were implemented
- Process to ensure proper management of the Post-Retirement Medical Aid subsidy (PRMA) liability is continuing
- Voluntary Severance Package was offered to all employees, 1820 quotations were issued and 656 employees took up the VSP offering
- Employment Equity plan and report submitted to Department of Labour
- Workplace Skills Plan and Annual Training Report approved by the CEO and Organised Labour, submitted to the Services SETA and 7891 employees trained

Government

- Submissions made to the amendments of Postal Legislation (SAPO Act, Postal Services Act, Postbank Act, 4IR)
- Continued payment of Social Grants during Covid-19 lockdown
- 7.2 million SASSA beneficiaries paid monthly
- 15.2 million beneficiaries received Social Relief of Distress grants
- 362 465 qualifying needy households registered for the DTT subsidised programme
- Approximately 356 000 Set-Top-Boxes to qualifying households distributed

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Design and Layout: Thea Clemons, SA Post Office – Philatelic Services

History of SA Post Office

The SA Post Office (SAPO) has delivered an uninterrupted service to its clients for centuries. The story of Post Office operations began in a small office in Cape town in 1792. Today, the organisation has evolved into the principal mover of mail in the country. This is no easy task, considering that operations are scattered across an area of more than 1.2 million square kilometres!

1792

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

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

1815-1886

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

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

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

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

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

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

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

1900-1945

The first steam ships were commissioned in 1925 and covered the distance between England and the Cape in 58 days. The Union Castle Steamship Company was established in 1900, handling the conveyance of mail to Britain until 1977.

The surface mail contract between South Africa and the Union Castle Steamship Company, which for a century ensured a weekly dispatch of mail between Cape town and Southampton, lapsed at the end of September 1977. From 1 October 1977 mail was transported only by container ships and aeroplanes.

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

1967-2013

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

1994/95

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

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

1995/96

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

By the end of 1995 the Witwatersrand mail sorting activities were moved into the Witspos mail centre in Ormonde, Johannesburg. Asa the largest mail centre in the Southern hemisphere, it enabled the elimination and duplication of many processes, since mail processing is now done at one level.

1996/97

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

2002/03

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

2003/04

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

2004/05

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

2005/06

Postbank, the SA Post Office's banking division, took the lead with Mzansi accounts. This is attributed to Postbank's unrivalled coverage – every post office branch is a Postbank. Mzansi accounts were designed especially for the unbanked.

2006/07

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

2007/08

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

2008/09

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

2009/10

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

2010/11

During 2010, Postbank celebrates its centenary as a savings bank and quite appropriately, legislation is promulgated that will enable the organisation to change from a deposit-taking institution to a fully-fledged bank. More than two million South Africans used this facility during the year. The SA Post Office is again chosen as application channel for a share scheme, this time by MTN for its Zakhele scheme.

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

2012

The SA Post Office dips a toe in the electronic waters by launching the virtual post office, which enables users to complete certain transactions without visiting a physical post office branch. The SA Post Office later expanded its electronic offerings to include transactions such as customs declarations for foreign parcels.

2013

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

2014

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

2016

The SA Post Office launches an app for smartphones which customers can use to track parcels and find the SA Post Office branches nearest to their location.

2017

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

2018

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

2019

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

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

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

2020

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

2021

As South Africa is migrating to digital broadcasting, meaning that older television sets will no longer work, unless they are connected to a digital decoder. The SA Post Office continues to manage the registration of five million qualifying households for subsidised decoders, and also manages the issuing of decoders, aerials and satellite dishes to installers.

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

2022

In February 2022, the SA Post Office launches an online platform for renewing motor vehicle licences. Customers in all provinces except the Western Cape can now renew vehicle licences 24 hours a day, seven days a week from any mobile device. The licence itself can be delivered to any address in South Africa or collected from any convenient SA Post Office branch.

The facility to renew vehicle licences over the counter at selected branches remains in place.

Part A: General Information

"Be the change that you wish to see in the world"

Mahatma Gandhi

Postman at Tshwane Mail

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)**

2008 First Day Cover with stamps displaying Post Offices built in beautiful architectural styles

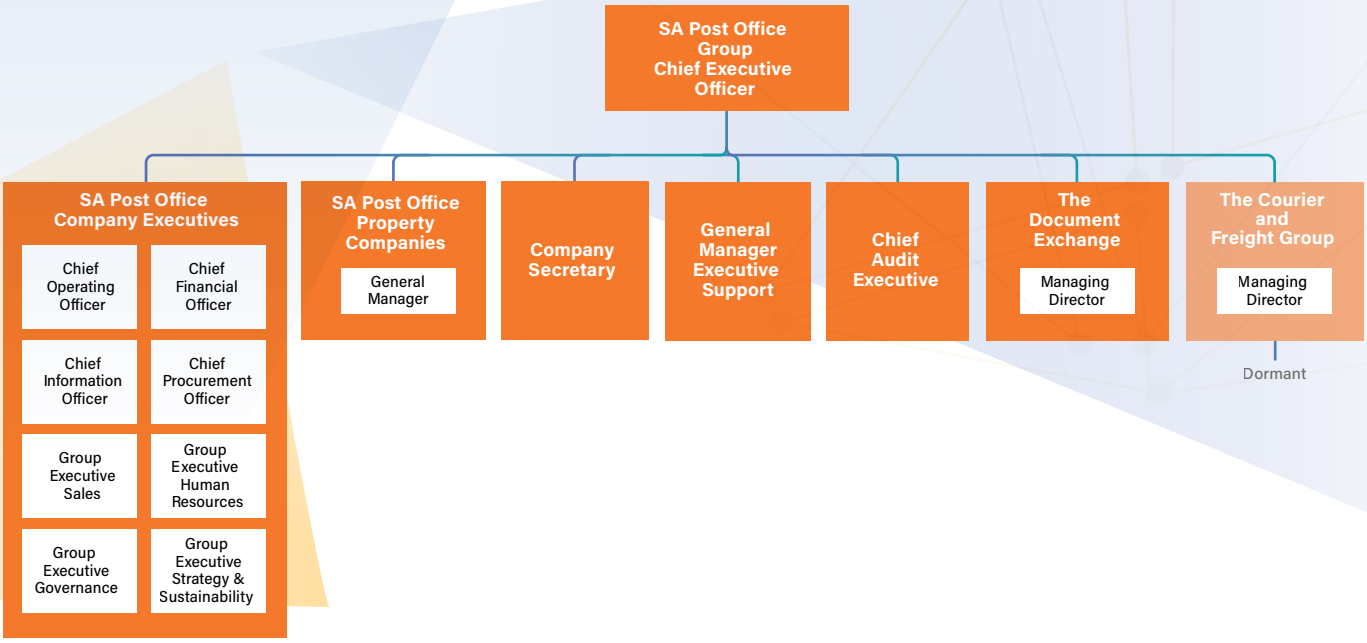
List of Abbreviations and Acronyms

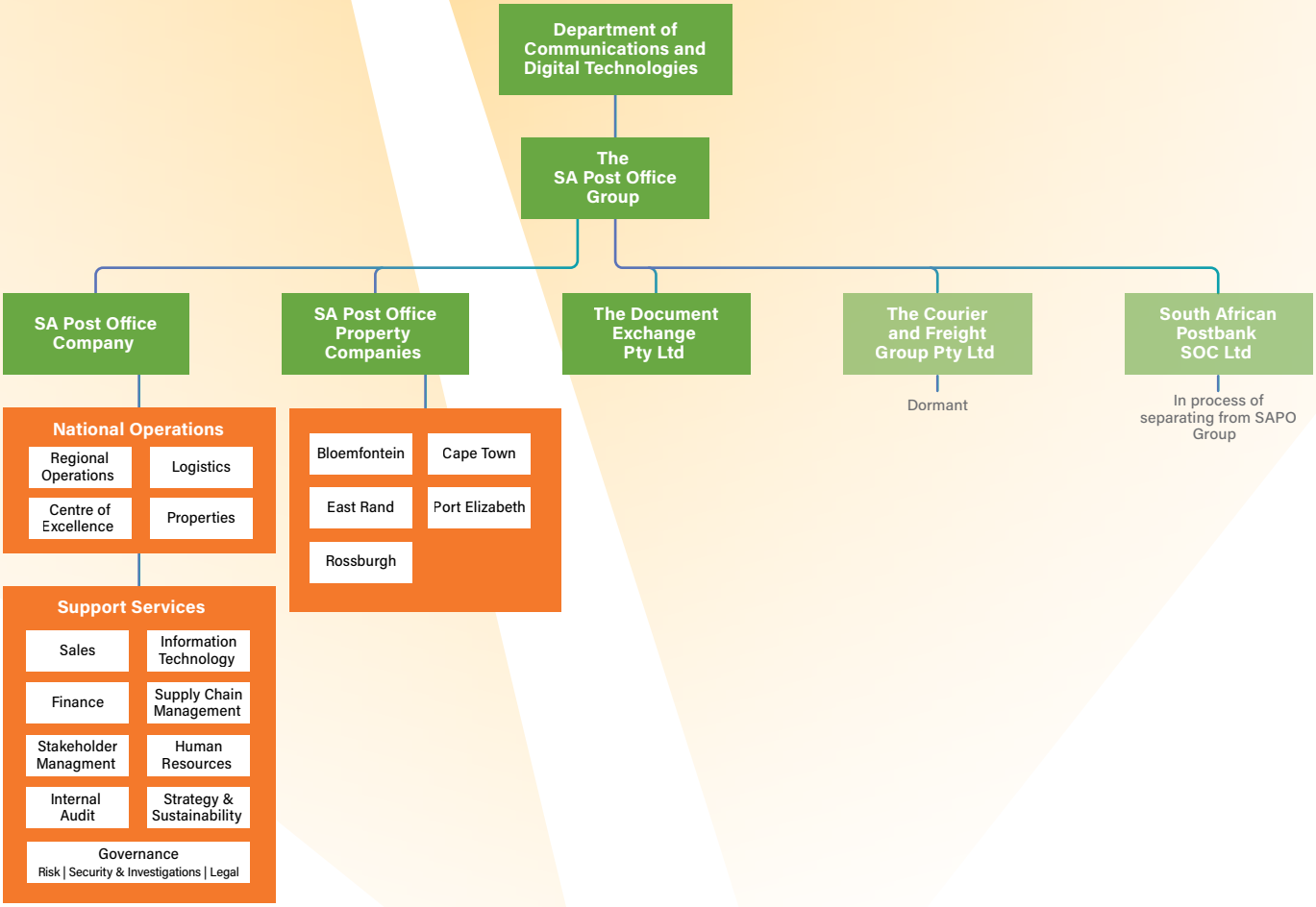
AARTO	The Administrative Adjudication of Road Traffic Offences
AGSA	The Auditor-General South Africa
ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
APP	Annual Performance Plans
ARC	Audit and Risk Committee
ATM	Automated Teller Machine
AU	African Union
BAC	Bid Adjudication Committee
BBBEE	Broad-based Black Economic Empowerment
BCP	Business Continuity Plan
BDM	Broadcasting Digital Migration
BEC	Bid Evaluation Committee
BoD	Board of Directors
BOT	Build Operate Transfer
BUs	Business Units
CCMA	Commission for Conciliation, Mediation and Arbitration
CCPA	Conference of Commonwealth Postal Administrations
CENTRIQ	Centriq Insurance Innovation (Pty) Ltd
CEO	Chief Executive Officer
CFG	The Courier and Freight Group (Pty) Ltd
CFO	Chief Financial Officer
CIT	Cash in Transit
CIO	Chief Information Officer
CPP	Cash Pay Points
CRASA	Communications Regulators' Association of Southern Africa
CSI	Corporate Social Investment
COO	Chief Operations Officer
CRMP	Compliance Risk Management Plan
DAFF	Department of Agriculture, Forestry
DIRCO	Department of International Relations and Cooperation
DOCEX	The Document Exchange (Pty) Ltd
DCDT	Department of Communications and Digital Technologies
DOA	Delegation of Authority
DPS	Domestic Postal System
DRM	Disaster Risk Management
DTH	Direct to Home
DTT	Digital Terrestrial Television
EAP	Enterprise Application Platform/Employee Assistance Program
EBDN	Electronic Bulk Mail Delivery Note
EEA	The Employment Equity Act
eCom API	eCommerce Application Programming Interfaces
ERP	Enterprise Risk Plan
ESS	Employee Satisfaction Survey
EWT	Endangered Wildlife Trust
EXCO	Executive Committee
FAIS	Financial Advisory & Intermediary Services
FICA	Financial Intelligence Centre Act 38 of 2001 (as amended)
FIC	Financial Intelligence Centre
FNB	First National Bank
FSB	Financial Services Board
FRA	Forward Rate Agreed
FY	Financial Year
GIS	Geographic Information System
GPC	Government Private Cloud
HR	Human Resources
HRRTP	Human Resource, Remuneration and Transformation Committee
ICASA	The Independent Communications Authority of South Africa
ICT	Information and Communications Technology
IDTV	Integrated Digital Television
IFRS	International Financial Reporting Standards
IGPS	Integrated Grant Payment System
ILO	International Labour Organisation
IPS	International Postal System
IT	Information Technology
KING IV	The King Report on Corporate Governance IV
KPIs	Key Performance Indicators
MCP	Mail Collection Point
MD	Managing Director
MTEF	Medium-term Expenditure Framework
MVL	Motor Vehicle License
NCD	Negotiable Certificates of Deposits
NCOP	National Council of Provinces

NHTL	National House of Traditional Leaders
NPS	National Payment System
OECD	Organisation of Economic Co-operation and Development
OSHA	Occupational Safety and Health Administration
PAA	Public Audit Act, No 25 of 2004
PAPU	The Pan African Postal Union
PFMA	Public Finance Management Act, No. 1 of 1999 (as amended)
PPE	Personal Protective Equipment
PPMD	Payroll Personnel Master Data
PPTE's	Permanent Part-Time Employees
POD	Proof Of Delivery
POPIA	Protection of Personal Information Act
POS	Point of Sale
POW	Programmes of Works
PRMA	Post-Retirement Medical Aid
PTC	Postal Technology Centre
QoS	Quality of Service
RDMS	Retail Document Management System
REMS	Risk Evaluation and Mitigation Strategy
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
RPA	Retail Postal Agency
RTIA	Road Traffic Infringement Agency
RTMC	Road Traffic Management Corporation
SAAF	South African Air Force
SAC	Stamp Advisory Committee
SADC	Southern African Development Community
SAPOA	Southern African Postal Operators Association

SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCM	Supply Chain Management
SDA	Social Disbursement Accounts
SDGs	Sustainable Development Goals
SETA	Sector Education and Training Authority
SFTP	Secure File Transfer Protocol
SITA	State Information Technology Agency SOC Ltd
SLA	Service Level Agreement
SMMEs	Small, Medium and Micro Enterprises
SOC	State-Owned Company
SOE	State Owned Entity
SRD	Social Relief of Distress
STB	Set Top Boxes
STP	Strategic Turnaround Plan
SWAD	Scanning, Weighting, and Dimensioning
The SA 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)
TP	Turnaround Plan
TVBC	Transkei, Venda, Bophuthatswana and Ciskei
UIF	Unemployment Insurance Fund
UPU	Universal Postal Union
USAASA	Universal Service and Access Agency of South Africa
USO	Universal Service Obligation
WRE	Web Riposte
VSP	Voluntary Severance Package
YoY	Year on Year

Organisational Structure





Foreword by the Chairperson

> "Whilst the SA 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 by affording all citizens access to basic communication and financial services at acceptable quality standards and affordable rates, regardless of geographical location."

The SA Post Office is an essential contributor to the social infrastructure of South Africa, whilst also facilitating economic inclusion.

The 2021/22 FY annual report as presented to all our stakeholders indicates the transformation journey upon which the SA Post Office has embarked.

Key considerations during the financial year

South African economy

The South African economy grew by 1.2% in the fourth quarter (Q4) of 2021 to bring an annual expansion of 4.9%. Following a 6.4% contraction during 2020, output levels are still well below pre-Covid-19 pandemic levels, and the effect of the overall negative growth was especially keenly felt in the postal sector in South Africa.

The Covid-19 pandemic also greatly accelerated the migration to digital alternatives, sustaining the continued move away from physical mail, the main source of revenue for the SA Post Office.

Covid-19

In response to the Covid-19 threat, the Covid-19 Steering Committee was constituted on 23 March 2020, with the Chief Risk Officer as the Chairperson with Executives from various Business Units also forming part of the Committee so as to ensure representation across the organisation. Similar structures were replicated at the regional level reporting into the main Steering Committee.

The Steering Committee remained in force to manage the

remnant risks associated with the pandemic, in particular the obligation of the employer to provide an occupationally safe environment.

During the 2021/22 FY, lockdown regulations were adjusted to alert level 1, and additional adjustments to the level 1 regulations were announced on 30 December 2021. The most significant adjustments were the lifting of the curfew with no restrictions, while the number of people were increased for indoor and outdoor gatherings. Subsequently the president announced the lifting of the National State of Disaster which meant that almost all the lockdown rules have since been repealed.

As at 31 March 2022, the SA Post Office had 2 768 confirmed Covid-19 cases, 2 691 recoveries, 5 active Covid-19 cases and 72 Covid-19 related fatalities. The recovery rate improved from 93.1% to 97% from December 2021 to March 2022, expressed as a percentage of confirmed cases.

Post Office of Tomorrow

During October 2021, the Post Office of Tomorrow strategy was developed under the guidance of the Minister and Deputy Minister of Communications and Digital Technologies and the SA Post Office Board of Directors to move the organisation on the journey towards digitalisation and modernisation.

Leadership Stability

The SA Post Office had numerous leadership vacancies during the 2021/22 FY and the appointment of the new CEO on 1 April 2021 has brought stability to the Organisation. The positions of Chief Financial Officer, Chief Operating Officer, Chief Information Officer and Chief Audit Executive remained vacant during the 2021/22 FY.

A number of vacancies on the Board of Directors have persisted during the 2021/22 FY. The position of Chairperson of the Board of Directors is currently performed by Mr Sipho Majombozi in an acting capacity. The Board of Directors aims to consult with the Shareholder on filling the vacant positions.

Cost Base

Despite declining revenues across most of its product lines, the SA Post Office has not adapted its operating model and costs have continued to rise. Staff expenses comprise approximately 61% of all expenses, followed by Security and Property expenses at 9% respectively.

A restructure is currently being finalised to address organisational inefficiencies and the cost structure.

The SA Government currently funds the Universal Service Obligation (USO) via annual budget allocations to ensure the continued provision of postal services to rural and under-serviced communities where it is uneconomical to do so. Notwithstanding the funding allocation, to ensure that SA Post Office remains able to continue providing the USO, it is critically important that the legal provisions regarding reserved services be applied, or revised to ensure the continued sustainability for the provision of the USO.

Key successes during the financial year

Social Grants

The payments of social grants is of national importance and payment continued at the SA Post Office branches and cash pay points during the financial year.

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

Digital Terrestrial Television (Broadcast Digital Migration Project)

The SA Post Office continued to play a vital role in the objective of migrating television transmission from analogue to digital. During the 2021/22 FY, the SA Post Office registered a total of 362 425 indigent households to receive subsidised Set-Top-Boxes and distributed approximately 356 000 Set-Top-Boxes to qualifying households.

Online MVL

An online platform for the renewal of motor vehicle licences was successfully launched.

eCommerce

Logistics has made good progress in the fulfilment of the last mile, clearing, warehousing and delivery of eCommerce products and services. The Customs Declaration System (CDS) and upgraded International Postal System (IPS) has strengthened the technology backbone to operate in the eCommerce space. A number of customers were successfully integrated on the IPS platform which include Wish.Com, Mail Americas, Signature Mail, ICE, and CNE.

Governance

The SA Post Office has continued to improve mechanisms of governance. Key to this was the monitoring and oversight by the Board of Directors, Audit and Risk Committee, Human Resource, Remuneration, Transformation and Performance Committee and the IT Governance, Strategic Turnaround and Procurement Committee. The Financial Misconduct Committee continues to review instances of Irregular - and Fruitless and Wasteful expenditure.

Looking beyond this year

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

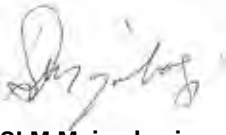
The Post Office of Tomorrow has been premised on a level of external funding being received for implementation. The strategy has also been adopted as the medium term strategy for the SA Post Office on its path towards digitalisation and modernisation.

In closing

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

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

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



SLM Majombozi
Acting Deputy Chairperson

Chief Executive Officer's Overview

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

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

I joined the South African Post Office on 1 April 2021 with the entity being at a crossroads, as with most postal operators worldwide. Letters have largely been replaced by digital alternatives, small parcels and a growing e-commerce market that caters to the needs of customers across the globe. The provision of financial services by postal operators is also undergoing disruption by financial platforms, which enable electronic financial transactions, including electronic payment of accounts, as well as sending and receiving money.

Developments in the global postal industry have indicated that technology plays a pivotal role in the provision of efficient postal services by acting as an enabler for improved service delivery. The traditional post office is also in the process of transformation to a 21st-century space offering postal, financial and government services to families, especially in rural and remote areas.

Although postal services play a vital role in connecting people, businesses and government across the world, the postal industry is faced with substantial challenges presented by digital disruption.

In South Africa, the migration to digital alternatives was accelerated by the Covid-19 pandemic and has contributed to a marked growth in the eCommerce market, driving growth in parcel mail volumes. The Covid-19 pandemic has also brought about a general downturn in the South African economy, which has had a knock-on effect on the revenue of the SA Post Office.

The SA Post Office's traditional financial sustainability model is no longer fit for purpose, compounded by the cost of operating the postal network, which has continued to rise - with staff costs remaining the highest cost driver. Low levels of investment have also resulted in outdated technologies, buildings falling into disrepair and continuous IT infrastructure failures.

The SA Post Office is at a critical point in its existence. Rapid changes in the environment, some of these impossible to predict, have meant that its product portfolio and business

model need to adapt and modernise in order keep the organisation relevant and financially sustainable.

Post Office of Tomorrow

During October 2021, the Post Office of Tomorrow strategy was developed to take the organisation on a journey towards digitalisation.

The Post Office of Tomorrow further seeks to revise the role of the SA Post Office from a traditional conveyor of letter-post to an integrated logistics and eCommerce service provider, including designation as the National Authentication Authority and a provider of Digital Business hubs to cater for the digital and business needs of communities.

The Post Office of Tomorrow has been adopted as the medium term strategy for the SA Post Office on its journey towards digitalisation, and has been premised on a level of external funding being received for implementation.

The implementation of the strategy has already commenced in the form of an online platform for the renewal of motor vehicle licences, agreements with various international eCommerce companies for the exclusive delivery of items in South Africa, and the over-the-counter distribution of chronic medication.

Overview

During the 2021/22FY, lockdown regulations were adjusted, with the most significant adjustments being the lifting of the curfew with no restrictions, while the number of people for indoor and outdoor gatherings, was increased. The President also announced the lifting of the National State of Disaster.

As at 31 March 2022, the SA Post Office had 2 768 confirmed Covid-19 cases, 2 691 recoveries, 5 active Covid-19 cases and 72 Covid-19 related fatalities. The recovery rate improved from 93.1% to 97% from December 2021 to March 2022, expressed as a percentage of confirmed cases. Our heartfelt condolences are extended to the families who lost their loved ones.

During the 2021/22FY there has been a continued mismatch between monthly revenue generated and corresponding operating expenditure, resulting in a deficit, thus making it difficult to meet monthly financial obligations. The SA Post Office has been severely impacted due to the effects of the Covid-19 lockdown, associated business slowdown and the increased rate of digital migration.

The revenue shortfalls have added further pressure to the already constrained cash flow position of SA Post Office and the achievement of the planned strategies in the corporate plan. There was no amendment to the Annual Performance Plan 2021/22FY as approved by the Board of Directors. A total of 17 Key Performance Indicators (KPIs), aligned towards attaining the strategic objectives as per the Corporate Plan, were set and measured for the 2021/22 FY.

Performance for 2021/22 FY has been poor with only 3 KPIs having achieved 100% of the planned target or 18% overall achievement on target.

The revenue target of R4.812 billion has not been attained at R3.033 billion (63%). The lower than projected revenue performance is due to the lingering effects of the Covid-19 lockdown and the associated business impact, increased customer migration to digital alternatives and transaction volumes, together with the weak financial position of the SA Post Office and suppliers not having been paid, thus withdrawing services, further impacting revenue generation.

The low revenues have further contributed to the non-payment of trade, international, and other payables, including accruals amount to R4.4 billion.

In addition to the above, a further amount of R2.8 billion is owed to Postbank.

The expense budget for the 2021/22 FY at R6.912 billion was achieved at R6.130 billion. Staff expenses comprises approximately 61% of all expenses, followed by Security and Property expenses at 9% respectively.

Logistics remain a very important link and enabler for the effective and efficient movement of postal items. As at 31 March 2022, the fleet comprised of 366 vehicles, compared to 1 236 vehicles as at 31 March 2021. The reduction in vehicle fleet has had a negative impact on delivery standards.

Notwithstanding the above challenges, the Logistics unit has made good progress in the fulfilment of the last mile, clearing, warehousing and delivery of eCommerce products and services. Agreements were reached with some suppliers to increase parcel delivery opportunities. The Customs Declaration System (CDS) and upgraded International Postal System (IPS) have strengthened the technology backbone to operate in the eCommerce space; the relocation of the Johannesburg International Mail Centre to Germiston took place after the period under review. The IPS tool for tracking of items is in place, while procurement of additional essential equipment is fast tracked to ensure stability of the entire IPS system.

A review of the security infrastructure upgrade program was undertaken with the objective to prioritise those security measures that would - apart from enhancing effective

security at branches - bring about reduced costs pertaining to cash-in-transit (CIT) and guarding services. Only 256 of the target of 1 680 installations of cash protection devices were achieved due to the service provider suspending deployment due to payment challenges. The project remains critical to the provision of a secure environment for our employees and customers.

Since the commencement of the payment of social grants, crime levels for armed robberies at branches, CIT, vehicle hijacking and business burglaries have increased to unprecedented levels. During 2021/22FY a total of 3 437 crime incidents were reported with a total reported loss value of R105.2 million.

The SA Post Office Group headcount reduced from 15 826 at 31 March 2021, to 14 460 as at 31 March 2022, a reduction of 1366 employees.

The reduction in headcount was due to resignations, demise, dismissals, end of contract, retirement, and voluntary severance packages. Phase 1 of a voluntary severance programme (VSP) was implemented and constitutes the largest portion of headcount reduction at 668 employees. Phase 2 of the VSP has not been implemented due to funding constraints, with an additional 417 applications received. An owner driver scheme was also announced and 234 applications were received.

The organisational restructure is being finalised, aimed at flattening and optimising the organisational structure in line with and in support of the implementation of the Post Office of Tomorrow Strategy.

A number of vacancies on the Board of Directors and Executive level have persisted during the 2021/22FY.

Government Service Delivery

The payment of social grants continued during the 2021/22FY. The SASSA/SA Post Office Social Disbursement Accounts (SDAs) decreased by 10% during the 2021/22 FY, bringing the total number of beneficiaries to 7 204 262 compared to 7 964 381 during the 2020/21 FY. The SASSA withdrawal cumulative transaction value for the financial year is approximately R119.2 billion with 55% withdrawn at ATMs, 33.9% at Retailers, 4.4% at SA Post Office branches and 6.6% at Cash Pay Points (CPPs).

A total of 153 936 beneficiaries were paid through 1 570 CPPs at the end of March 2022, compared to 180 425 beneficiaries as at the end March 2021. The average number of beneficiaries paid per month at CPPs for the 2021/22 FY was 156 094 compared to 201 464 for the 2020/21 FY.

The payments of Covid-19 SRD grants continued during the 2021/22 FY. During March 2022 a total of 1 629 418 beneficiaries were paid as compared to 2 070 132 beneficiaries paid in March 2021. Cumulatively 15.2 million beneficiaries were paid until end March 2022, with the cumulative cash value since the introduction of the SRD grant at R9.8 billion.

During the 2021/22FY, the SA Post Office registered a total of 362 425 indigent households to receive subsidized Set-Top-Boxes and distributed approximately 356 000 Set-Top-Boxes to qualifying households.

Governance

The Financial Misconduct Committee continues to review instances of irregular - and fruitless and wasteful expenditure. The process of submitting applications for condonation to National Treasury has commenced. Where required, consequence management has been recommended for implementation.

Critical Stakeholders

The SA Post Office faces profound changes in order to remain relevant, sustainable and provide for the needs of the South African society, customers and Government.

I am thankful for the support and guidance provided by Minister Khumbudzo Ntshavheni and Deputy Minister Philly Mapulane, the Department of Communications and Digital Technologies led by the Acting Director-General Ms. Nonkqubela Jordan-Dyani and the Board of Directors of the SA Post Office.

I would also like to thank the executives and staff of the SA Post Office for their dedication and service to the people of South Africa – under severely challenging circumstances.

Lastly, we thank our customers for entrusting us with your business. We are working towards delivering the service that South Africa and its people deserve. Customer service is our obsession.

Nomkhita Mona
Chief Executive Officer

Strategic Overview

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

VISION

MISSION

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

VALUES

Accountability: Personal responsibility, honouring commitments to our Customers and fellow Employees.

Respect: Treat Customers and fellow Employees with courtesy, politeness, and kindness.

Trust: Confidence in the integrity, reliability and fairness of the SA Post Office by our Customers and Employees.

Innovation: Transforming new ideas into tangible results.

Excellence: Commitment to being the best and delivering the best

Legislative and Other Mandates

Mandate, Regulation and License

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

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

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

Regulation

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

The Reserved Postal Services 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.

Through its license, the SA Post Office is afforded exclusivity of reserved postal services where it has monopoly over sub 1 kg items. In terms of the mandate, the SA Post Office is also required to maintain certain standards and certain obligations which includes customer care standards, roll-out of street addresses and the provision of retail postal services in under-serviced areas whilst aligning with the government's developmental programme for 2030.

The Postal Services Act of 1998 obligates the Regulator, the Independent Communications Authority of South Africa (ICASA), to protect the provision of the universal service on behalf of the Reserved Postal Services licensee, namely the SA Post Office. 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, to 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

Part B: Performance Information

"What you know is just a point of departure. So let's move!"

Willie Kgositsile

Friendly service at Bloemfontein Post Office

Report on Predetermined Objectives

Covid-19 Pandemic

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

The Steering Committee remained in force to see to the remnant risks associated with the pandemic, in particular the obligation of the employer to providing an occupationally safe environment. Government has continued to encourage South Africans to get vaccinated as first line of defense in our combat of the virus. Covid-19 Steering meetings were held with the aim of creating continued awareness and mitigate the risk of Covid-19 variants. Covid-19 challenges and procurement of PPE's continued to be managed on an ad hoc basis.

During the 2021/22FY, lockdown regulations were adjusted to alert level 1, and additional adjustments to the level 1 regulations were announced on 30 December 2021. The most significant adjustments were the lifting of the curfew with no restrictions, while the number of people were increased for indoor and outdoor gatherings. Subsequently the president announced the lifting of the National State of Disaster which meant that almost all the lockdown rules have since been repealed.

The consolidated Directions on Occupational Health and Safety measures in certain workplaces published on 11 June 2021, which was the authority on workplace health and safety under the state of national disaster, no longer remains in force. The Code of Good Practice: Managing exposures to SARS-COV-2 in the workplace came into effect from 15 March 2022. The Code is intended to guide employers on the manner in which to fulfill their obligations to keep the workplace safe which includes the obligation to limit and mitigate the risk of Covid -19 in the workplace.

The table below indicates the escalation of Covid-19 cases per quarter. As at 31 March 2022, the SA Post Office had 2 768 confirmed Covid-19 cases, 2 691 recoveries, 5 active Covid-19 cases and 72 Covid-19 related fatalities. The recovery rate improved from 93.1% to 97% from December 2021 to March 2022, expressed as a percentage of confirmed cases.

The Communication section continued to convey the message of vigilance, compliance to Covid-19 protocols and regulations, whilst the above statistics were shared regularly with employees.

Region	Confirmed Cases				Recoveries				Active Cases				Fatalities			
	30 Jun 2021	30 Sep 2021	31 Dec 2021	31 Mar 2022	30 Jun 2021	30 Sep 2021	31 Dec 2021	31 Mar 2022	30 Jun 2021	30 Sep 2021	31 Dec 2021	31 Mar 2022	30 Jun 2021	30 Sep 2021	31 Dec 2021	31 Mar 2022
Eastern	174	216	227	238	164	199	208	230	5	10	11	0	5	7	8	8
Central	211	251	281	287	196	238	251	281	11	8	25	1	4	5	5	5
Gauteng	531	731	846	852	413	700	814	822	100	3	4	2	18	28	28	28
KZN	240	318	390	408	228	284	361	395	4	23	18	1	8	11	11	12
North	135	245	273	284	113	238	251	279	20	3	18	1	2	4	4	4
Western	288	465	513	550	267	453	468	541	14	3	36	0	7	9	9	9
HQ	95	125	148	149	46	116	140	143	45	3	2	0	4	6	6	6
Total	**1674**	**2351**	**2678**	**2768**	**1427**	**2228**	**2493**	**2691**	**199**	**53**	**114**	**5**	**48**	**70**	**71**	**72**

Service Delivery Environment

There was no amendment to the Annual Performance Plan 2021/22FY as approved by the Board of Directors.

During September / October 2021, following a request by the Minister and a subsequent workshop with stakeholders, a strategy towards building the Post Office of tomorrow was submitted to the Department of Communications and Digital Technologies (DCDT). A number of interactions were held with the DCDT to finalise and improve the Post Office of tomorrow strategy. The Post Office of tomorrow was approved by the Board of Directors and submitted to the DCDT on 31 January 2022.

Aligned to the Medium-Term Strategic Framework 2019-2024, the Post Office of tomorrow strategy revises the strategic role of the SA Post Office from a conveyor of letter-post to an integrated logistics and e-commerce service provider, including designation as the National Authentication Authority. Implementation of critical activities and projects of the Post Office of tomorrow strategy commenced during Quarter 3, however implementation has remained challenged in view of the funding requirement on a number of key projects.

During the 2021/22FY there has been a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet monthly financial obligations. The SA Post Office has been severely impacted with a loss of customers and planned revenues due to the effects of the Covid-19 lockdown, associated business slowdown and the increased rate of digital migration. The revenue shortfalls have added further pressure to the already constrained cash flow position of SA Post Office and the achievement of the planned strategies in the corporate plan. Whilst SA Post Office has commenced with its digital transformation, the rate of digital transformation of the SA Post Office has lagged and has not been at a rate sufficient to absorb the impact of the COVID-19 pandemic and the resultant rate on digital migration of customers and the resultant decline in volumes.

The low revenues have further contributed to the non-payment of critical creditors, including contributions to medical aid, pension fund, UIF and SARS. As at 31 March 2022 creditors, including accruals, amount to R4.4 billion and includes a salary debt for R150 million for the period April 2020 to February 2021. A further amount of R2.4 billion is owed to Postbank.

There has been an overall decline in the service delivery environment of the SA Post Office due to the effects of Covid-19 combined with the constrained financial position. The average mail carry-over per month increased from 2.73 million items to 4.03 million items at the end of March 2022. The withdrawal of vehicles have further contributed in the decline in delivery performance.

The mail delivery performance as at 31 March 2022 was recorded at 68.36%, substantially below the ICASA regulated standard of 92%.

The system availability uptime target of 98% for 2021/22 FY has not been achieved at 97.61%. A critical component of the network availability is completion of the network upgrade. As at 31 March 2022, a total of 1 272 of 1 329 sites have been fully commissioned with new equipment and upgraded connectivity to the fibre network, a 96% achievement of the network upgrade project. 57 sites remain to be completed of which 4 are workable sites but require alternative solutions and 33 non-workable due to outstanding landlord approvals.

With regards the payment of social grants, the SASSA/ SAPO Social Disbursement Accounts (SDAs), beneficiaries decreased from 7.8 million beneficiaries during April 2021 to 7.2 million during March 2022. A total of 15.23 million Special Relief of Distress (SRD) beneficiaries were paid from 1 April 2021 to 31 March 2022. A total of 4.29 million beneficiaries received their grant payments at Cash Paypoints (CPPs) from 1 April 2021 to 31 March 2022. During March 2022 a total of 153 936 beneficiaries were paid through 1570 CPPs and 1 629 418 beneficiaries were paid Covid-19 SRD grants.

The South African Post Office continued to play a vital role in the countries objective of migrating all television transmission from analogue to digital transmission. The Broadcast Digital Migration Project and Analogue Switch Off is a strategic project for the DCDT. It aims to improve media services and leverage the efficiencies brought about by the new digital broadcasting technology. The project, once implemented will create new possibilities for South Africa and open up opportunities for to partake credibly in the global digital economy.

The SA Post Office has been mandated by the DCDT to be one of the critical stakeholders of the Analogue Switch Off project which intends to supply 100% of registered households with Government subsidised Set top Boxes by 31 March 2022. This is to ensure that once all analogue transmitters are switched off, no one in South Africa is left behind.

SA Post Office role as distribution partner includes the following services:

- The display and distribution of Set-top Box marketing

material at SA Post Office online outlets.

- Process applications for the subsidised Set-top boxes
- The ordering, warehousing and distribution of STB equipment to SA Post Office outlets.
- Process delivery of STB equipment in sequential distribution number order to qualifying applicants.
- The exchange/replacement of faulty/incomplete/ incorrect Set-top Box equipment (Reverse distribution process).
- Acceptance of the return of un-installed STB kits by the assigned STB Installers at SA Post Office branches.
- The insurance of STB kits up to installation level.

During the 2021/22FY, the SA Post Office registered a total of 362 425 indigent households to receive subsidized Set-top-Boxes and distributed approximately 356 000 Set-top-Boxes to qualifying households.

Organisational Environment

The SA Post Office Group headcount reduced from 15 826 at 31 March 2021, to 14 460 as at 31 March 2022, a reduction of 1366 employees. The reduction in headcount was due to due to resignation, demise, dismissals, end of contract, retirement, and voluntary severance packages.

Phase 1 of a voluntary severance programme (VSP) was implemented and constitutes the largest portion of headcount reduction at 668 employees. Phase 2 of the VSP has not been implemented due to funding constraints, with an additional 417 applications received. An owner driver scheme was also announced and 234 applications were received.

The SA Post Office had numerous leadership vacancies during the 2021/22FY and the appointment of the new CEO on 1 April 2021 has brought stability to the Organisation. A number of vacancies on the Board of Directors have persisted during the 2021/22FY.

An organisational restructure is currently being finalised, aimed at flattening and optimising the organisational structure in line with and in support of the implementation of the Post Office of tomorrow Strategy.

Key Policy Developments and Legislative Amendments

The South African Post Office SOC Amendment Bill was published during 2021 and submissions requested. The Amendment Bill seeks to amend the South African Post Office Act to enable the SA Post Office to take advantage of technological developments in its environment, revise its duties and expand its mandate, become a provider of universal postal and courier services, integrated logistics provider, e-commerce platform provider and a digital hub for business and communities.

to ensure that the interest of the SA Post Office is considered in all related postal legislation amendments or additions, and potential opportunities identified in such amendments or additions, SA Post Office Management have provided feedback and proposals regarding Postal Legislation (SAPO Act, Postal Services Act, Postbank Act, 4IR).

The section 16 application to register a bank was submitted on 26th June 2017 to the SARB, by the Postbank. Cabinet approved the legislative changes of the Banks Act through the Financial Matters Bill which will now enable Postbank to register as a fully-fledged bank. On 29 March 2019, the Honourable Minister of Department of Telecommunication and Postal Services gazetted the transfer of Postbank division from the SA Post Office as at 1 April 2019. The transfer of Postbank to operate as a separate company has been concluded and from the 01 April 2019 Postbank prepares separate annual financial statements.

Performance Information

In establishing the strategic objectives of the SA Post Office, 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 2021/22 FY considered 7 key areas focusing the SA Post Office towards ensuring compliance with and in support of the 4IR principles as identified by the UPU.

The seven strategic objectives identified for the Strategic Plan:

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

A total of 17 Key Performance Indicators (KPIs) were set and measured for the 2021/22 FY, aligned towards attaining the 7 strategic objectives. Performance for 2021/22 FY has been poor when considering only 3 KPIs achieved 100% of the planned target or 18% overall achievement on target.

The financial challenges experienced by the SA Post Office have directly contributed to the poor performance on performance targets.

Strategic Objectives	Planned Target	Number Achieved 100%	100% Achievement	Number achieved 80% - 99%
Financial Sustainability	2	1	50%	0
Optimised Assets and Infrastructure	2	0	0%	0
Customer and Communities First	2	0	0%	0
Efficient Systems & Processes	3	0	0%	1
Business Modernisation & Digital Transformation	3	1	33%	0
Culture of Excellence	3	0	0%	0
Corporate Governance	2	1	50%	0
Total	**17**	**3**	**18%**	**1**

Financial Sustainability

This strategic objective focused on improving the financial position of the SA Post Office by becoming financially sustainable and achieve a positive net financial and cash position. The strategic objective comprised of 2 KPIs, to attain the planned revenue target and attain the planned expense budget.

The revenue target of R4.812 billion has not been attained at R3.033 billion (63%). The lower than projected revenue performance is due to the lingering effects of the Covid-19 lockdown and the associated business impact, increased customer migration to digital alternatives and transaction volumes, together with the weak financial position of the SA Post Office and suppliers not having been paid, thus withdrawing services, further impacting revenue generation.

The low revenues have further contributed to the non-payment of critical creditors, including accruals amount to R4.4 billion and includes a salary debt for R150 million for the period April 2020 to February 2021. Included in the R2.4 billion for statutory obligations is R928 million due to SARS, R769 million to Post Office Retirement Fund, R645 million to Medipos, and R100 million to UIF. In addition to the above, a further amount of R2.8billion is owed to Postbank.

The expense budget for the 2021/22FY at R6.912 billion was achieved at R6.130 billion.

Staff expenses comprises approximately 61% of all expenses, followed by Security and Property expenses at 9% respectively.

Optimised Assets and Infrastructure

The objective considered 2 KPIs towards optimising the value of the SA Post Office's assets and infrastructure by way of improving security in SA Post Office branches and Mail Centres, ensuring employee and customer security, whilst minimising financial losses to the SA Post Office. It also considered enhancing the return on assets and infrastructure.

A review of the security infrastructure upgrade program was undertaken with the objective to prioritise those security measures that would apart from enhancing effective security at branches, bring about reduced costs pertaining to cash-in-transit (CIT) and guarding services. Only 256 of the target of 1 680 installations of cash protection devices were achieved due to the service provider suspending deployment due to payment challenges. The project remains critical to the provision of a secure environment for our employees and customers.

The optimisation of the property infrastructure benefit budget for the 2021/22FY is at R265 million, comprising of revenue and cost savings. The annual target for the optimisation of the property infrastructure was not achieved with a saving of R42.7 million for rental expenses due to the amalgamation / consolidation and closure of branches. No other benefit initiatives were achieved in terms of the revenue optimisation program and no sale of properties took place.

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 is thus to ensure that customer experience is enhanced, improved and maintained at all points of presence through effective delivery of services, including Government services, to all communities.

In ensuring that the strategic objective is achieved, 2 KPIs were identified and monitored, the effective resolution of customer complaints, and to improve the customer satisfaction level.

The target of 100% resolution of customer complaints recorded at the call centre within 7 days has not been achieved, at 60% for the 2021/22FY, a negative variance of 40% on target. During the period a total of 81 860 complaints were recorded at the call centre and 49 515 complaints were resolved within 7 working days.

The annual target to achieve a 75% customer satisfaction level has not been achieved as the survey could not be undertaken due to resource constraints. Although the Customer Satisfaction Survey is not a Corporate KPI for the 2023FY, it is recommended that a bi-annual Customer Satisfaction Survey (CSS) be conducted to monitor the outcomes of the implementation of the Post Office of tomorrow strategy.

Efficient Systems and Processes

The goal of the strategic objective is to enhance, improve and maintain service delivery standards to all customers by way of achieving the regulated mail standard, maintain system availability uptime at online SA Post Office branches, and the rollout of International Parcel System (IPS) equipment.

Due to the delays in mail processing, backlogs and carry over accumulated during the hard lockdown period, together with financial challenges which resulted in the withdrawal of the delivery fleet, closure of branches and lack of tools of trade, the regulated mail delivery standard of 92% was not achieved at 68.36%. Notwithstanding the mentioned challenges, there has been an improvement of 15.41% in the mail delivery standard from the prior year performance of 52.95%.

The target system availability uptime at online SA Post Office branches at 98% was not met at 97.61% system availability uptime. The annual performance was negatively affected by the Data Centre challenges experienced during Quarter 3.

The rollout of International Parcel System (IPS) equipment during Q1 was not achieved at a 50% performance level. The lack of funding for the acquisition of hardware to enable the IPS equipment rollout was not available, however, existing hardware was withdrawn from other areas in the organisation to assist with the rollout of the IPS equipment.

Business Modernisation and Digital Transformation

The strategic objective aims to improve the market relevance of the SA Post Office through business modernisation, digital transformation and increased customer access to digital services. In considering the strategic objective, 3 KPIs were set comprising of the automation of mail centres, launch digital solutions for products and services, and implementing an Omni Channel Platform.

The automation of mail centres considers the number of ordinary mail / standard letters processed on mail sorting machines. The target for 2021/22FY has not been achieved with 48% against the target of 100%. Machine parts were not available at Durmail, negatively impacting overall performance.

The target for the launch of 2 digital solutions for products and services was achieved with the launch of Electronic Messaging Services for the RTIA in October 2021 and the online MVL system during February 2022.

The target for the implementation of the Omni-channel platform was not achieved, with a 74% achievement on target. Sub-projects supporting the Omni-channel platform includes the Enterprise Application Integration and Modernisation, eCommerce Market Place and Integration Platform and API Management. A number of eCommerce clients have been on boarded which include Wish.Com, Mail Americas, Signature Mail, ICE and CNE.

Culture of Excellence

The goal of the strategic objective is to improve organisational performance and have engaged and high performing employees. The strategic objective considered 3 KPIs by improving employee satisfaction, attaining productivity levels, and implementing Business Unit (BU) strategic initiatives. Targets for all 3 KPIs were not achieved.

The Employee Satisfaction Survey (ESS) indicated a satisfaction level of 41.57%, a decrease of 1.4% from the prior year ESS. Most factors influencing employee satisfaction are outside the scope and control of Human Resources, and are of a repetitive nature, requiring capital funding to address. A critical focus during the 2023FY will be to resolve the outstanding labour matters to ensure the morale and satisfaction level of employees is improved.

The implementation of productivity monitoring for 2021/22FY was not achieved. Operations applies a productivity model for Mail Centres and Depots. This is currently being reviewed with applicable productivity measures and standards and will be further enhanced to include a productivity management suite. Productivity has been measured for delivery productivity as at the end of March 2022 at 49% and processing productivity at 83%. Productivity levels should be viewed in conjunction with the mail delivery standards as the factors affecting the mail delivery standards are applicable to the delivery – and processing productivity. Measurement of support unit productivity levels is very difficult.

The annual target for the implementation of BU strategic initiatives at 100% was not achieved. A total of 102 Initiatives of 131 initiatives (78%) are at various stages of implementation, however a large number are dependent on funding for implementation and have thus not proceeded as required.

Corporate Governance

The goal of the strategic objective is to strengthen organisational governance with well entrenched and consistently applied governance principles in managing the organisation. The strategic objective considered 2 KPIs.

The target to have an unqualified audit opinion for 2021/22FY was not achieved with a Disclaimer of Opinion issued by the Auditor General. Internal Audit has commenced with the process to track the implementation of corrective measures on audit findings.

To ensure that the interest of the SA Post Office is considered in all related postal legislation amendments or additions, and potential opportunities identified in such amendments or additions, SA Post Office is to provide formal feedback, proposals and/or amendments to the DCDT on such proposed amendments or additions. The annual target for such formal feedback, proposals and/or amendments to be submitted, was achieved.

The detailed performance for the KPIs is indicated in the table on the next page:


Delivering SASSA services

Performance Information

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Performance and Reasons for Target Variance/Deviation
1. Financial Sustainability	to be financially sustainable and achieve a positive net financial and cash position	1.1	Attain the planned revenue target	100%	76%	24%	**Not Achieved**	The operating revenue target of R4.944 billion has not been attained at R3.770 billion, a variance of R1.174 billion on target (76%). The lower than projected revenue performance is due to the lingering effects of the Covid- 19 lockdown and the associated business impact, increased customer migration to digital alternatives and transaction volumes, together with the weak financial position of the SA Post Office and suppliers not having been paid, thus withdrawing services, further impacting revenue generation. Additional factors influencing the reduced revenue include a lack of technology investment, lack of tools of trade, operational performance, product offering and closure of branches.
		1.2	Attain the planned expense budget	100%	81%	19%	**Achieved**	The expense budget for the 2021/22FY at R6.912 billion was achieved at R5.584 billion (excluding finance cost). Staff expenses comprises approximately 61% of all expenses, followed by Security expenses at 9% and Property expenses at 9%.
2. Optimised Assets and Infrastructure	Achieve a positive return on assets	2.1	Implement security upgrades and install equipment items at Post Office branches and Mail Centres	1680	256	1424	**Not Achieved**	Only 256 of the target of 1 680 installations of cash protection devices were achieved due to the service provider suspending deployment due to payment challenges. The project remains critical to the provision of a secure environment for our employees and customers.
		2.2	Optimisation of Property Infrastructure	R265m	R43m	R222m	**Not Achieved**	During the 2021/22FY, a saving of R42.7 million for rental expenses was generated due to the amalgamation / consolidation and closure of branches, however no initiatives achieved in terms of the revenue optimisation program and no sale of properties took place.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Performance and Reasons for Target Variance/Deviation
3. Customer and Communities First	Continued service provision in underserviced communities, improve customer experience at all point of presence & enhanced brand equity	3.1	Resolution of customer complaints recorded at the call centre within 7 days	100%	60%	40%	**Not Achieved**	The target of 100% resolution of customer complaints within the required 7 days has not been attained, at 60% for 2021/22FY, a negative variance of 40% on target. During the period a total of 81 860 complaints were recorded at the call centre and 49 515 complaints were resolved within 7 working days. Factors influencing the non-attainment of the target include the delayed implementation of the call centre management system, poor delivery standards and closure of branches.
		3.2	Improve customer satisfaction level	Achieve 75% customer satisfaction level	0%	Achieve 75% customer satisfaction level	**Not Achieved**	The annual target to achieve a 75% customer satisfaction level has not been achieved as the survey could not be undertaken due to resource constraints. Although the Customer Satisfaction Survey is not a Corporate KPI for the 2023FY, it is recommended that a bi-annual Customer Satisfaction Survey be conducted to monitor the outcomes of the implementation of the Post Office of tomorrow strategy.
4. Efficient Systems & Processes	Improved service delivery to all customers	4.1	Achieve the regulated Mail Delivery standard	92%	68.36%	23.64%	**Not Achieved**	The Mail Delivery performance for 2021/22FY is at 68.36%, 23.64% below target. Due to the delays in mail processing, backlogs and carry over accumulated during the hard lockdown period, together with financial challenges which resulted in the withdrawal of the delivery fleet, closure of branches and lack of tools of trade, the target was not achieved. Notwithstanding these challenges, there has been an improvement of 15.41% in the mail delivery standard from the prior year performance of 52.95%.
		4.2	Maintain system availability uptime at online Post Office branches	98.00%	97.61%	0.39%	**Not Achieved**	The system availability uptime target of 98% for 2021/22FY has not been achieved at 97.61%, a variance of -0.39% on target due to the Data Centre challenges, Internet and VPN connectivity and hardware failures
		4.3	Rollout of IPS equipment	100%	50%	50%	**Not Achieved**	The target to implement the required equipment was not met during Q1. The delay in acquiring the required equipment is as a result is due to the lack of funding. Printers purchased for Logistics and computers utilised from HR training were applied for the IPS project.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Performance and Reasons for Target Variance/Deviation
5. Business Modernisation and Digital Transformation	Improved market relevance through business modernisation, digital transformation and increased customer access to digital services	5.1	Automation of mail Centres	100%	48%	52%	**Not Achieved**	The automation of mail centres considers the number of ordinary mail / standard letters processed on mail sorting machines. The target for 2021/22FY has not been achieved with 48% against the target of 100%. Machine parts were not available at Durmail, negatively impacting overall performance.
		5.2	Launch digital solutions for products and services	2	2	0	**Achieved**	The target was achieved with Electronic Messaging Services launched in October 2021 for the RTIA and the online MVL system was launched in February 2022.
		5.3	Implement Omni-channel Platform	100%	74%	26%	**Not Achieved**	The target for the implementation of the Omni-channel platform was not achieved, with a 74% achievement on target. Sub-projects supporting the Omni-channel platform includes the Enterprise Application Integration and Modernisation, eCommerce Market Place and Integration Platform and API Management. A number of eCommerce clients have been on boarded which include Wish.Com, Mail Americas, Signature Mail, ICE and CNE.
6. Culture of Excellence	Improved Organisational Performance, engaged and high performing employees	6.1	Improve Employee satisfaction	Achieve 70% employee satisfaction level	42%	28%	**Not Achieved**	The target for the Employee Satisfaction Survey (ESS) was not achieved and indicated a satisfaction level of 41.57%, a decrease of 1.4% from the prior year ESS. Most factors influencing employee satisfaction are outside the scope and control of Human Resources, and are of a repetitive nature requiring capital funding to address. A critical focus during the 2023FY will be to resolve the outstanding labour matters to ensure the morale and satisfaction level of employees is improved.
		6.2	Improve productivity levels	Achieve 80% productivity	0%	Achieve 80% productivity	**Not Achieved**	The implementation of productivity monitoring for 2021/22FY was not achieved. Operations applies a productivity model for Mail Centres and Depots. This is currently being reviewed with applicable productivity measures and standards and will be further enhanced to include a productivity management suite. Productivity has been measured for delivery productivity as at the end of March 2022 at 49% and processing productivity at 83%. Productivity levels should be viewed in conjunction with the mail delivery standards as the factors affecting the mail delivery standards are applicable to the delivery – and processing productivity. Measurement of Support Unit productivity levels is very difficult.
		6.3	Implement BU strategic initiatives	100%	78%	22%	**Not Achieved**	The annual target for the implementation of BU strategic initiatives at 100% was not achieved. A total of 102 Initiatives of 131 initiatives (78%) are at various stages of implementation, however a large number are dependent on funding for implementation and have thus not proceeded as required.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Performance and Reasons for Target Variance/Deviation
7. Corporate Governance	Strengthened Organisational Governance, entrenched and consistently applied Governance principles in managing the organisation	7.1	Achieve an unqualified Audit Opinion	Achieve an unqualified Audit Opinion	Disclaimer of Opinion	Unqualified Audit Opinion	**Not Achieved**	The target to have an unqualified audit opinion for 2021/22FY was not achieved. Internal Audit has commenced with the process to track the implementation of corrective measures on audit findings.
		7.2	Provide inputs to the amendments of Postal Legislation (SAPO Act, Postal Services Act, Postbank Act, 4IR)	Inputs Submitted to Shareholder	Inputs Submitted to Shareholder	0%	**Achieved**	to ensure that the interest of the SA Post Office is considered in all related postal legislation amendments or additions, and potential opportunities identified in such amendments or additions, SA Post Office is to provide formal feedback, proposals and/or amendments to the DCDT on such proposed amendments or additions. The annual target for such formal feedback, proposals and/or amendments to be submitted, was achieved

Legend Performance - Achieved / Not Achieved			
Not Achieved	Less than 100%	**Achieved**	Achieved 100%

Revenue and Sales

The 2021/22 FY was one of increasing economic instability globally. The Covid 19 pandemic has had a profoundly negative impact on businesses in general and the effects have been evident and progressive. As a result of the pandemic some of our smaller clients had to shut down, and many bigger ones moved to other channels or used new channels for their logistics and financial service needs.

The impact on supply chains was and is still being felt globally with a slow movement of goods internationally. This increased the negative impact on industries whose focus is on-time delivery, such as the SA Post Office. The closure of borders, inflationary pressures and investments into improving and maintaining services resulted in increased costs without the commensurate revenues.

The restrictions on movement and occupancy continued to hamper the day-to-day rendering of service. Operational challenges on collections and delivery had a major impact on our cash flows and service delivery levels. In response, the SA Post Office expedited the digitisation of the entity and digital services are being fast-tracked to the market. The Digital Business Hub and eMail for life are the most important projects to be rolled out this coming fiscal year. At the core of the digital offerings is the financial services and Hybrid, eRegistered mail, and digital certificates.

Our financial services revenue and Hybrid printing continue to show sustained growth. The afore-mentioned digitisation project will assist in bringing more options to these services whilst adding value to users. Our courier capabilities are being upgraded to improve on the last-mile delivery of online transactions. The customers' requirements for courier services are the key focus in ensuring an end-to-end service.

As Government is a key customer, channels continue being developed for easier communication with citizens for municipalities, Government departments and SOEs. Key engagements and projects that have been undertaken in this regard are as follows:

Electronic Registered email and Registered SMS project - to provide a platform that enables the distribution of Registered email and Registered SMS as per the requirements of the Electronic Communications and Transactions Act 25 of 2002, section 19(4).

Department of Home Affairs Life Event - Reprint of certificates of birth, marriage, and death smartcard and ID.

Central Chronic Medication Dispensary and Distribution (CCMDD) - Distribution of chronic medication for the Department of Health using the SA Post Office infrastructure.

Transport Sector - Preparation of the AARTO rollout to more than 300 municipalities and the printing and distribution of the motor vehicle licences.

All of these projects and engagements are at an advanced state and are expected to be concluded and brought online in the 2022/23 FY. These are the key projects that will see SA Post Office bringing the digital offering to citizens for improved service delivery, while bringing innovation to our people.

The Sales Unit continues to respond to tenders from Municipalities for services with an improved service offering that includes the complete value proposition of SA Post Office. These include the digital offerings to enhance the service the Post Office provides to Government.

Progressive and forward looking engagements continue with our Corporate and SMME customers in order to retain and grow revenue lines. This is in acknowledging that our revenues were negatively affected, mostly by the decline in mail revenue – the result of customers migrating to digital platforms in response to technological innovation and poor delivery standards by the SA Post Office. The switching of statements to SMS and MMS by some of our customers also reduced revenue.

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

Performance against the planned growth target was poor due to reasons stated above, slow traction on contracts and other operational issues experienced in the financial year. Investment into platforms to enable the delivery of services remains a key requirement to secure the technologies and assets needed to improve services and revenues. The integration projects are continuing to ensure speedy integration with customers and offer a wider portfolio of services.

The annual Motor Vehicle License (MVL) revenue continues to grow and other engagements with transport entities like RTMC and RTIA show promise for increased revenues. The

delayed roll out of AARTO had an impact on our projections and we await the processes for the full implementation to conclude. The MVL revenue line shows modest growth and plans are in place to increase MVL points. The introduction of the online MVL renewal system will also ensure continued growth of this product line.

Financial services did not perform as strongly as projected. The financial services revenue was supported by the grant payments and especially the SRD payments. Third party payments and collection services showed a modest growth.

Capital Investments

During the 2021/22 FY a budget of R530 million was made available for capital investment, with an amount of R11 million expended and a further amount of R41 million committed.

An amount of R478 million of the capital investment budget remains unspent due to cash flow constraints.

Capital Investment items	Budget (R'm)	Actual	Commited	Total Actuals and Commited	Budget Available
Air-conditioning	228	226	2	228	-
Security measures	100 094			-	100 094
Buildings	99 772			-	99 772
Improvement to leasehold	99 880	144	601	745	99 135
Portable Safes	41 906	9 085	32 821	41 906	-
Support and Servicing equipment				-	-
Electronic equipment				-	-
Network and servers	7	7		7	-
Pc's, Notebooks and other computers	44 493	498		498	43 995
Printers, scanners and other	76 500			-	76 500
Delivery and other vehicles	20 000			-	20 000
Motorcycles	846	846		846	-
Software purchased	45 654	246	7 010	7 256	38 398
Software developed				-	-
Furniture and Fittings	120		120	120	-
Total	**529 500**	**11 052**	**40 554**	**51 606**	**477 894**

During the 2020/21 FY a budget of R529 million was made available for capital investment, with an amount R25 million expended and a further amount of R44 million committed.

The performance for capital investment has deteriorated from 2020/21 FY where 17% of the budget was expended and committed, to 10% of the budget expended and committed during the 2021/22 FY for the reason as indicated above.

Operations

OPERATIONAL REPORT

The Covid-19 pandemic continued to present challenges to daily operations into the 2021/22 FY, as in the previous year. By the end of the financial year the country was on alert level 1. The National State of Disaster was about to be lifted and trading was beginning to gather momentum.

Operations had gradually started to recover with Logistics contracting new clients for the delivery of eCommerce products, however, a fleet of over eight hundred delivery vehicles was withdrawn prematurely by Avis, leading to considerable obstacles regarding mail and parcel delivery.

Mail volumes continued to decline with a number of mail houses no longer lodging with the SA Post Office. On a positive note, services to the people such as the payment of Social and Covid-19 SRD grants continued in the 2021/22 FY. Similarly, the registration of Digital Terrestrial Television decoders continued in all provinces. During the 2021/22 FY, a total of 362 465 qualifying households were registered.

Good progress was made with the focus on geo-referencing and uploading of addresses to the national address database. A total of 274 771 addresses were geo-referenced for the 2021/22 FY.

The SA Post Office's financial challenges resulted in some forced office closures of branches and other facilities by landlords due to non-payment; which, ironically, has hampered the ability to transact and generate revenue which could be utilised to make the rental payments.

Operations continued with the Properties distribution network optimisation aimed at consolidating and merging urban non-performing branches with better performing outlets. Rural branches have remained untouched. In order to address the ageing property portfolio, the SA Post Office has identified co-development opportunities with industry partners.

South African Social Security Agency (SASSA)

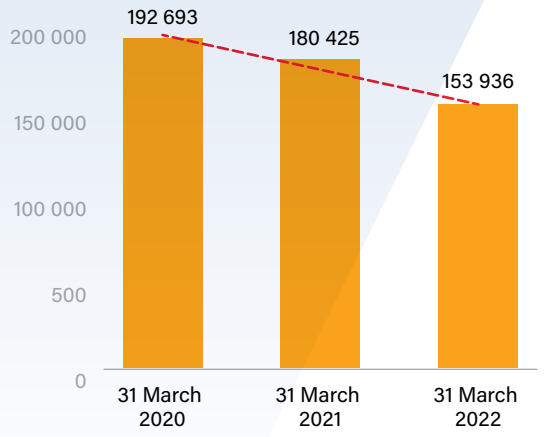
The SASSA/SA Post Office Social Disbursement Accounts (SDAs) decreased by 10% during the 2021/22 FY, bringing the total number of beneficiaries to 7 204 262 compared to 7 964 381 during the 2020/21 FY. The table below reflects the total beneficiaries and proportional split between Integrated Grant Payment System (IGPS) and Mzansi accounts comparatively year-on-year.

Payments	March 2020	March 2021	March 2022	Change
IGPS	8 069 729	7 873 543	7 119 151	- 754 392
Mzansi	94 511	90 838	85 111	- 5 727
Total	**8 164 240**	**7 964 381**	**7 204 262**	**760 119**

The SASSA withdrawal cumulative transaction value for the financial year is approximately R119.2 billion with 55% withdrawn at ATM's, 33.9% at Retailers, 4.4% at SA Post Office branches and 6.6% at Cash Pay Points (CPP).

A total of 153 936 beneficiaries were paid through 1 570 CPPs at the end of March 2022, compared to 180 425 beneficiaries by end March 2021. The average number of beneficiaries paid per month for the 2021/22 FY was 156 094 compared to 201 464 for the 2020/21 FY.

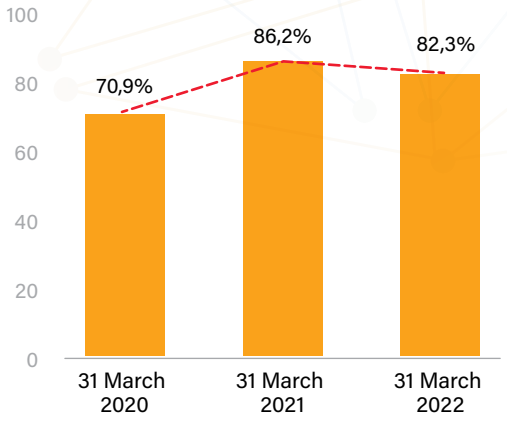
CPP Beneficiaries – YoY



SASSA SLA

The overall regional calculated compliance rating in terms of the SASSA SLA during March 2022 was recorded at 82,3%, while the compliance target is at 95% in terms of both the SA Post Office branches and CPPs. Non-compliance is mainly due to challenges of space for sturdy chairs, and the non-provision of dignity services such as ablution facilities.

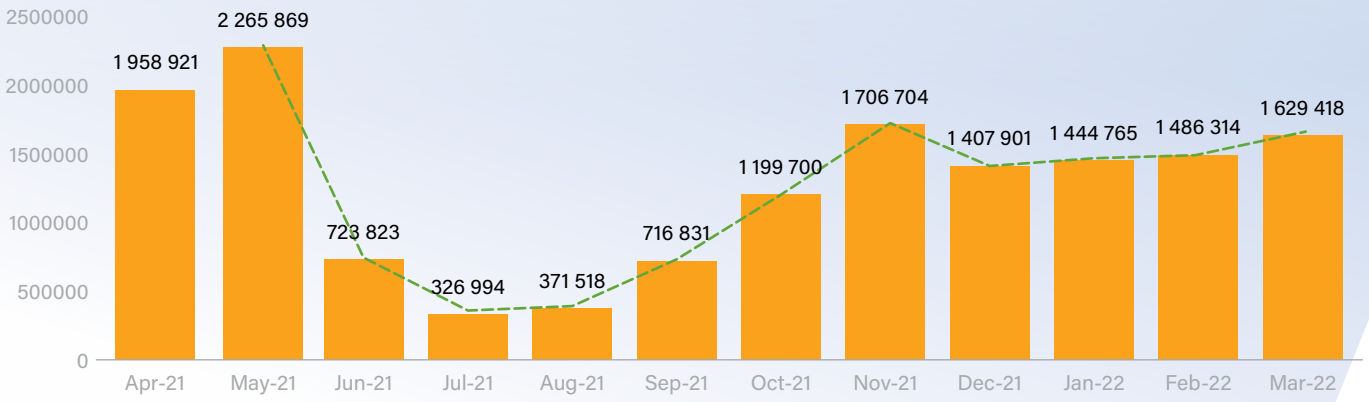
SASSA SLA Compliance – Target 95%



Social Relief of Distress (SRD) Grants

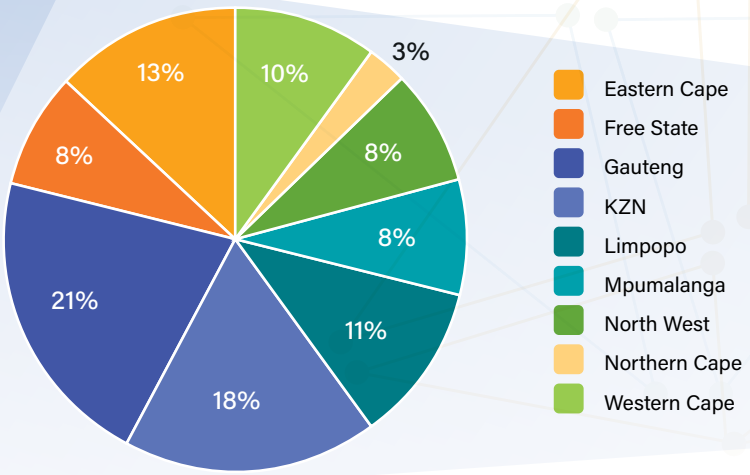
The payments of Covid-19 SRD grants continued during the 2021/22 FY. In March 2022 a total of 1 629 418 beneficiaries were paid compared to 2 070 132 beneficiaries paid in March 2021. Cumulatively 15.2 million beneficiaries were paid until end March 2022, with the cumulative cash value since the introduction of the SRD grant at R9.8 billion. The beneficiary volumes over the financial year are depicted below:

SRD Beneficiary Volume



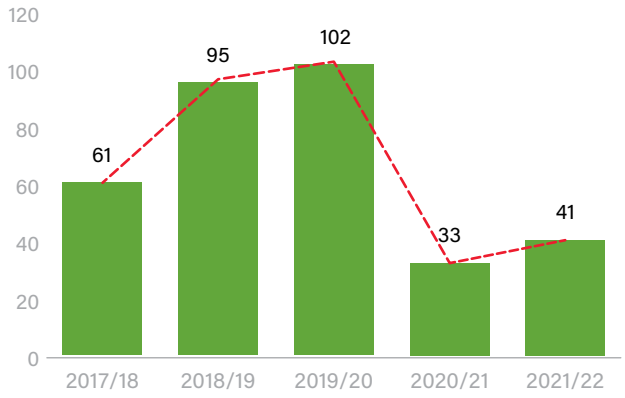
Provincial % Split

The provincial split of beneficiaries is depicted in the chart to the right for the period 1 April 2021 to 31 March 2022.



Revenue for CN22 international parcels underperformed with the annual revenue of R41.1 million which represents a 39% achievement of the budget of R106 million. The historical revenue for CN22 parcels is depicted in the graph below:

CN22 Parcel Revenue – Millions



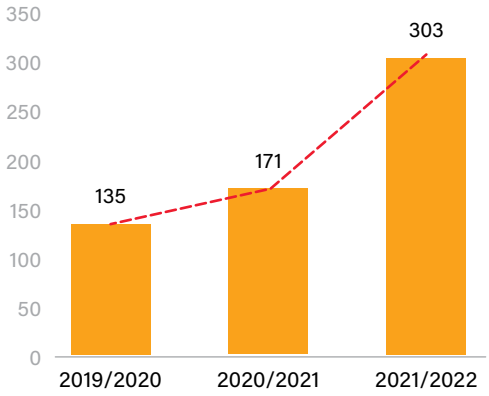
Branch Profitability

Profitable branches remained very low with on¬¬ly 303 branches or 23.9% regarded as profitable out of 1266 branches, while 963 branches proved to be unprofitable at the end of March 2022. The 2021/22 FY ended with 303 branches being profitable compared to the 171 branches during 2020/21 FY, a marked improvement.

A total of 146 branches were officially closed during the 2021/22 FY. Of these, 55 were amalgamations.

The graph below depicts the branch profitability year on year:

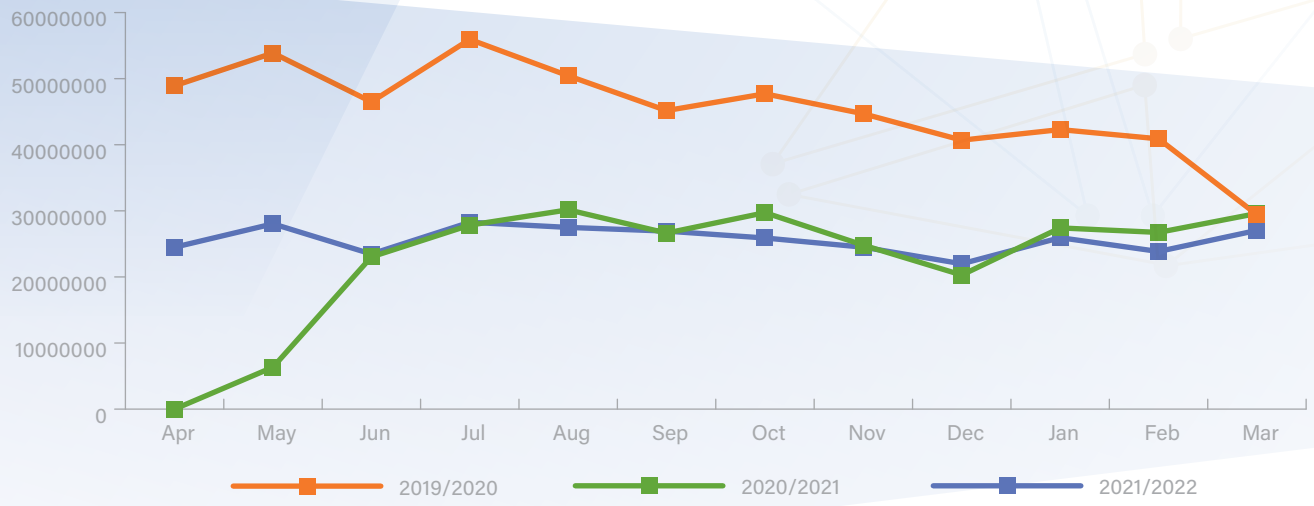
Branch Profitability YoY



Mail Business

The graph below indicates the consolidated domestic mail volumes for standard mail, non-standard mail, fastmail, registered letters and parcels over a three-year cycle from 2019/20 FY to 2021/22 FY.

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



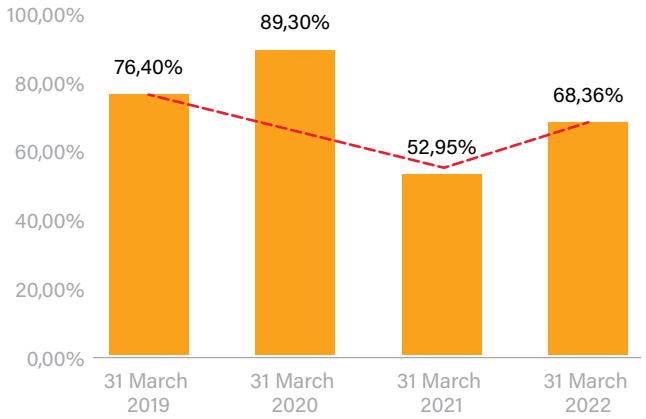
SERVICE STANDARD

Delivery Standards

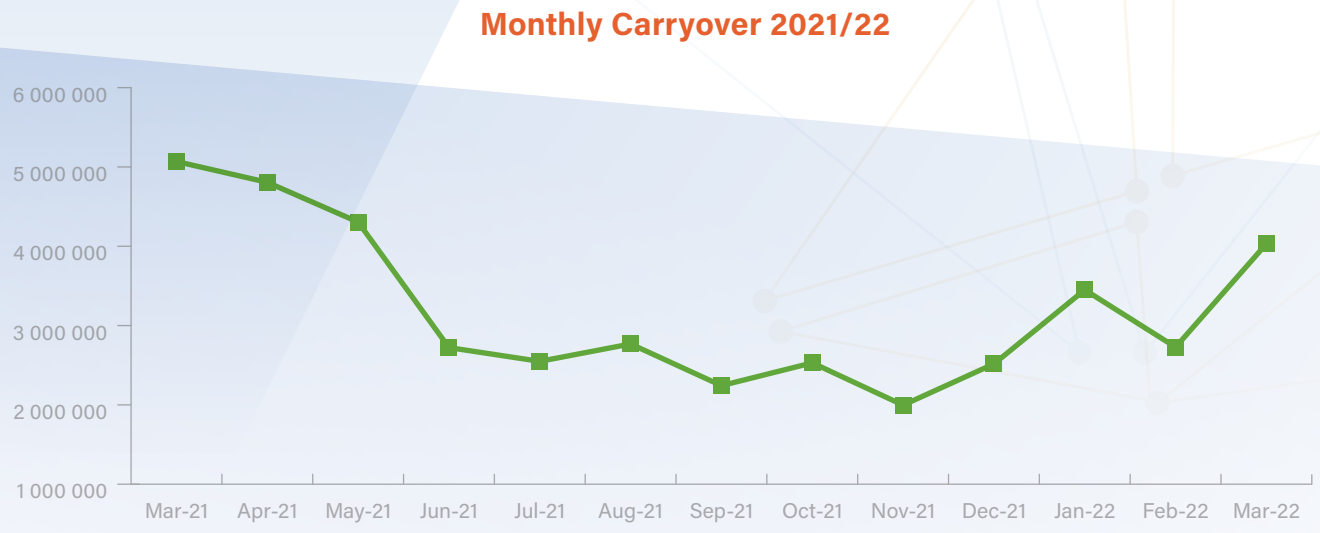
The mail delivery performance was severely affected by the Covid-19 pandemic, disrupting the progress made during the previous financial year. The mail delivery performance stood at 89.3% by the end of March 2020 and this had regressed to 52.95% by the end of March 2021.

A clear sign of improvement, however, is that the performance picked up by 15.41% from the previous year to 68.36% in the current financial year – still below the target of 92%. The graph below gives a perspective of the past few years and the impact of Covid-19 in 2020/21/22.

Delivery Performance



The average carry overs were recorded at 3.1 million items throughout the year. SA Post Office delivers on average 1 166 270 items per day. The carryover trend since March 2021 to 31 March 2022 is shown in the graph below:

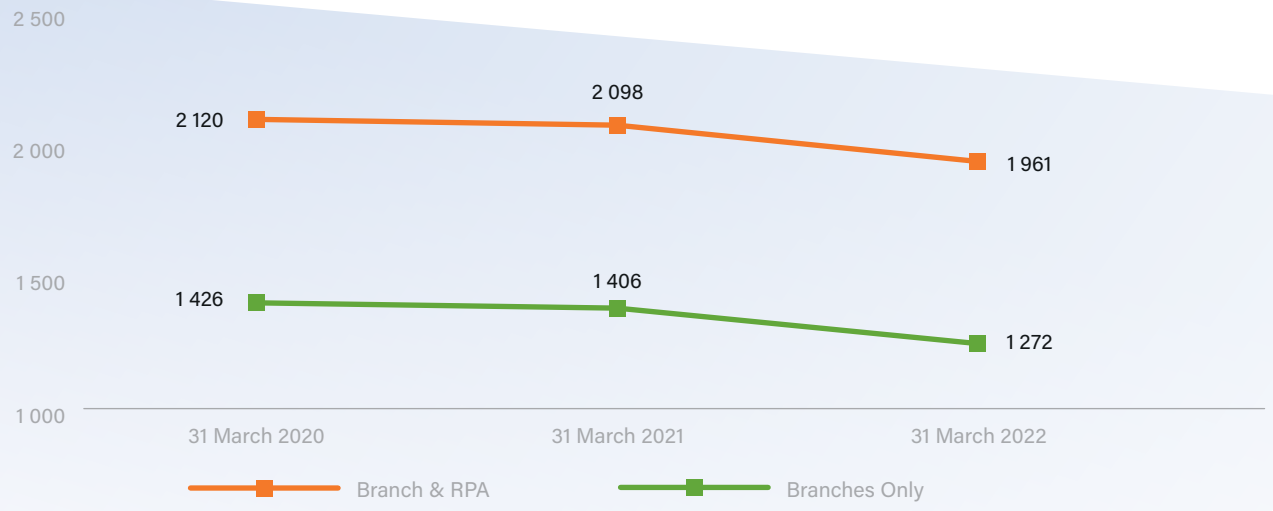


OPTIMISED ASSET AND INFRASTRUCTURE

Operations Footprint - Competitive Advantage

Post Office by type and RPAs - 31 March 2022						
Description	**Post Office**	**Postpoints**	**Transportables**	**Mobiles**	**RPA's**	**Total**
Total	1 206	40	17	9	689	1 961
PO Only	1 272					

The graph below depicts the retail outlet footprint year on year:



The retail outlet footprint remains one of the SA Post Office key enablers and the SA Post Office is well positioned to fulfil its Government mandate and to provide a range of services to benefit all of South African citizens, such as the payment of social grants.

Currently the mail processing environment is serviced through 24 mail processing hubs across the country and three offices of exchange for international services at Johannesburg, Durmail and Capemail.

Property Infrastructure program

No site was refurbished by the Properties division during the 2021/22 FY. However, it is worth noting that substantial work was done during the year and spending was incurred on maintenance and cleaning of buildings. Approximately R10.4 million was spent on maintenance and R5.7 million was spent on cleaning of buildings during the financial year. Three buildings were sold in the financial year.

Addressing

A GIS portal was built for internal use and is envisaged to be accessible externally in the new financial year. With the realigned focus to geo-referencing and uploading of addresses to the national address database, good progress was made with approximately 274 771 addresses being geo-referenced for the 2021/22 FY.

The SA Post Office's private and free post boxes are serviced at branches and loose standing box units with a total of 3 657 787 post boxes on record, of which 1 750 008 or 47.84% are rented out. Of the total rented boxes, 199 257 boxes or 11.39% are paid alternatives, the balance is unpaid first addresses.

EFFICIENT SYSTEMS AND PROCESSES

Logistics Optimisation

Logistics remain a very important link and enabler for the effective and efficient movement of postal items. As at 31 March 2022, the fleet comprised of 366 vehicles compared to 1 236 vehicles as at 31 March 2021. The reduction in vehicle fleet has required that national line-haul had to run on 18 routes.The end of the line-haul contract led to innovative use of the public sector's capability and to the introduction of new ideas, such as an owner driver solution which is under development.

The business wants to provide tailor-made logistical solutions by creating convenience to both its customers and partners. Convenience to customers will include:

- Visibility by tracking,
- Quality of service and
- Paperless environment.

Convenience to partners will include: Seamless exchange of data with partners such as information about airline loading etc., customs authorities processes and logistics aggressors through eCommerce Application Programming Interfaces (eCom API).

eCommerce

Logistics made good progress in the fulfilment of the last mile, clearing, warehousing and delivery of eCommerce products and services. Agreements were reached with some suppliers to increase parcels delivery opportunities. The Customs Declaration System (CDS) and upgraded International Postal System (IPS) has strengthened the technology backbone to operate in the eCommerce space; the relocation of the Johannesburg International Mail Centre to Germiston took place after the period under review.

The IPS as a tool for tracking of items is in place, while procurement of additional essential equipment is fast tracked to ensure stability of the entire IPS system. The Domestic Postal System (DPS) containing Point of Sale (POS) rollout is in progress.

DIGITAL TRANSFORMATION

Digital Terrestrial Television (Broadcast Digital Migration Project)

During March 2022 a total of 72 440 beneficiaries were registered and issuing continues in all provinces. At the end of March 2022, 66 361 Digital Terrestrial Television (DTT) applications were uncaptured.

For the year a total of 362 465 qualifying households were registered nationally.

CUSTOMER AND COMMUNITY SERVICES

The target of 100% resolution of customer complaints seven days was not attained for the 2021/22 FY. The percentage of compliance could not be determined accurately due to the Remedy System being unavailable. The system is being restored and data integrity is being verified.

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

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

Customer Experience

Re-engagement with employees is critical to achieve quality customer experience. There are several factors that affect the customer experience which include employees failing to take responsibility for their work areas and this is being addressed by quality circles and corrective action by management on all escalated complaints. The level of post box renewals is very low and is being addressed by realigning and placing them in more convenient locations.

The reliability of the postal service is a key factor determining the customer experience. Covid-19 created substantial logistical challenges and due to the relaxing of restrictions and the lifting of the state of disaster, the environment now allows the SA Post Office to perform at an improved level.

Mail delivery driver

Operations footprint

CENTRAL REGION (FREE STATE& NW)

- Retail outlets: 226
- Retail Agencies: 104
- Mail Centre: 4
- Delivery Depots: 33
- Fleet: 26

GAUTENG REGION (GAUTENG PROVINCE)

- Retail outlets: 246
- Retail Agencies : 5
- Mail Centre: 4
- Delivery Depots : 94
- SCM Warehouse: 1
- Fleet: 15

NORTH REGION (LIMPOPO & MP)

- Retail outlets: 247
- Retail Agencies : 212
- Mail Centre: 2
- Delivery Depots : 149
- Fleet: 150

WESTERN REGION (NC&WC)

- Retail outlets: 197
- Retail Agencies : 178
- Mail Centre: 6
- Delivery Depots : 50
- SCM Warehouse: 1
- Fleet: 61

EASTERN REGION (EC PROVINCE)

- Retail outlets: 177
- Retail Agencies : 121
- Mail Centre: 3
- Delivery Depots : 42
- Fleet: 62

KZN REGION (KWAZULU NATAL)

- Retail outlets: 179
- Retail Agencies : 69
- Mail Centre: 5
- Delivery Depots : 49
- SCM Warehouse: 1
- Fleet: 52

Information Technology (IT)

INTRODUCTION

SA Post Office IT as the technology enabler for the organisation, is responsible for activities ranging from day-to-day operational support to participation in and ownership of various projects that support the organisation's strategic goals.

SA Post Office IT also remains committed to driving the strategic initiatives aimed at implementing efficient system and processes and to improve SA Post Office's market relevance through digital transformation. Certain initiatives were delayed or suspended, due largely to the lack of available funding. Despite these challenges, certain initiatives were successfully implemented; whilst others are still in progress.

This report aims to highlight the successes as well as the challenges of the SA Post Office IT department for the 2021/22 financial year.

OVERVIEW

The IT unit has been faced with serious skills shortages and a high vacancy rate for a number of years and 2021/22 was no exception.

As a result of the high vacancy rate, the cross-skilling or upskilling of current resources into new roles is not viable and urgent recruitment is required. Recruitment efforts have been hampered by lack of funds and a moratorium on appointments.

The IT Run function, responsible for IT Infrastructure and Operations, remains severely understaffed. The IT vacancy percentage is currently at 68%.

IT OPERATIONS AND INFRASTRUCTURE

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

Branch Infrastructure

The system used at SA Post Office branches is mainly the Web Riposte (WRE) Point-of-Sale (POS) solution. This system is locally installed on workstations and various issues impacts the availability of the service in offices daily. The most prevalent issue is the outdated, unsupported POS terminals. Systems in offices experience a number of failures on a daily basis and these are repetitive in nature. The IT incident management process is followed, incidents are logged and the resolution of these issues daily are reactive in nature.

Incident analysis for the 2021/22 financial year reveals that 27% of incidents logged by branches were for hardware (screens and base units). These are hardware failures require parts to be replaced. Due to the age of the POS terminals, these spares are no longer available and serviced through refurbishment. Effective response to hardware failures is impacted by lack of spares and lack of funding.

A further 15% of calls logged related to pin pad failures. These failures result from the corruption of configuration files due to aging hardware.

Branches cannot operate effectively with the high rate of hardware failures. The POS hardware refresh requires very high priority in the 2022/23 FY.

Datacentre Operations

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

The hosting facilities (Datacentres, including Trust Centre) require urgent upgrading.

Board approval was received at the end of November 2021 in this regard to engage with SITA for Government private cloud hosting to mitigate this risk. In addition to this, a whitespace proposal has been presented to the SA Post Office Executive Committee (EXCO) for the lift and shift of the current IT infrastructure at the SA Post Office Data Centre to a stable data centre environment.

IT Network

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

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

IT INITIATIVES

Modernisation and Transformation Initiatives

Enterprise Application Integration and Modernisation

A Request for Information (RFI) has been published to gather industry and related input to enable SA Post Office to prepare a Request for Proposal (RFP). The RFI closing date was extended as requested by bidders. The RFI was evaluated and assessed for potential growth and transformation opportunities.

In September 2021, SA Post Office in collaboration with PostBank implemented a new payment channel for SRD-R350 grants which enables grant recipients to transact at various merchants (Pick & Pay, Checkers, and Boxer and other supermarkets). Furthermore, the new channel enables grant recipient to withdraw their grant money at Standard Bank ATMs as first iteration as Standard Bank is the sponsoring bank for Postbank from an acquiring and settlement perspective.

As part of the SA Post Office modernisation and digitisation strategy, SA Post Office went out on an RFP for eRegistered mail solution to enable customers to submit electronic data or mail to the SA Post Office and for the SA Post Office to register the email and send the email as an electronic registered /confidential product via mail or SMS to the intended recipient's electronic address or mobile number.

SA Post Office in collaboration with SITA, is currently in the process of implementing an electronic eRegistered mail service for the Infringement Notice to Road Traffic Infringement Agency (RTIA) / Road Traffic Management Corporation (RTMC) clients. The development of the electronic mail system has been completed. The user acceptance and go live is pending from the client (RTIA) that needs to address legal issues.

Supporting Post Office of tomorrow Strategy

Projects, business owners and project team leads have been identified that are aligned to the Post Office of tomorrow Strategy. The prioritisation of the projects has been completed. Funding must be sourced whilst the concept and feasibility studies, business case submission and approvals and other project governance processes are completed.

Onboarding eCommerce clients for Logistics

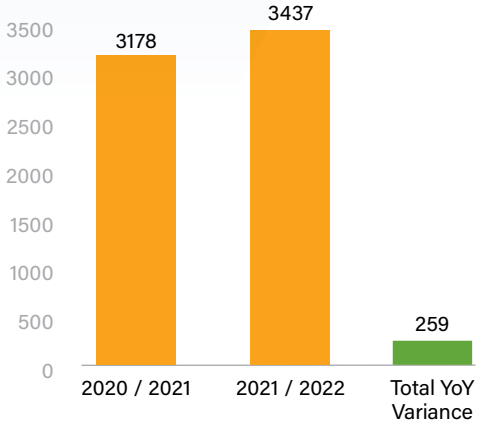
Customers were successfully integrated on the IPS platform. These, amongst others, include Wish.Com, Mail Americas, Signature Mail, ICE, and CNE.

Security and Investigation Services

INTRODUCTION

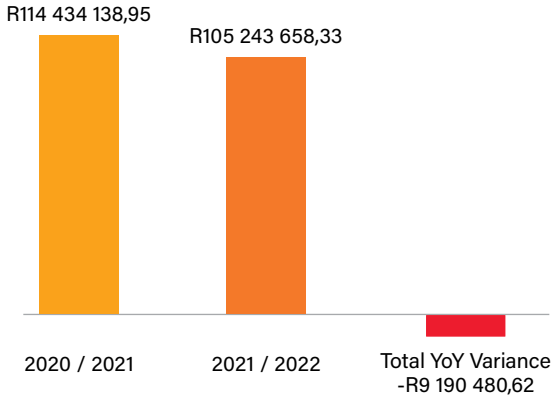
During 2021/2022 the SA Post Office remained a soft target for criminals due to social grant payments at its branches, which necessitated high cash volumes. In comparison to 2020/2021FY, crime reported incidents increased by 259 (8%) - from 3178 to 3437 incidents.

National Overview of Reported Incidents



In comparison to 2020/2021FY, the reported loss decreased by R9.2m (8%) – from R114.4m to R105.2m.

National Overview of Reported Loss



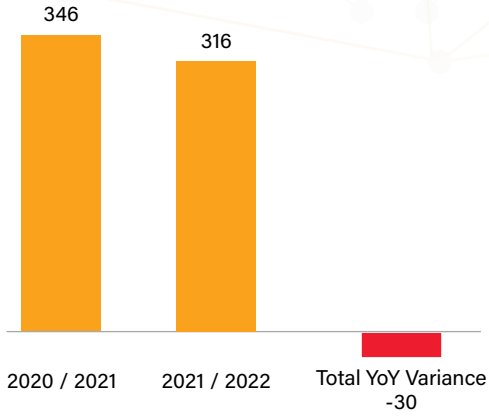
Violent Crime Overview

During 2021/2022FY SA Post Office branches experienced 956 armed robberies and business burglary incidents with a reported loss of R 64.9m – a 5% (48) increase in incidents and a 28% (R25.3m) decrease in reported loss.

In comparison to 2020/2021FY, Armed robberies:

- Reported incidents decreased by 30 (9%) incidents – from 346 to 316
- Reported losses deceased by R23.3m (36%) – From R70.4m to R45m

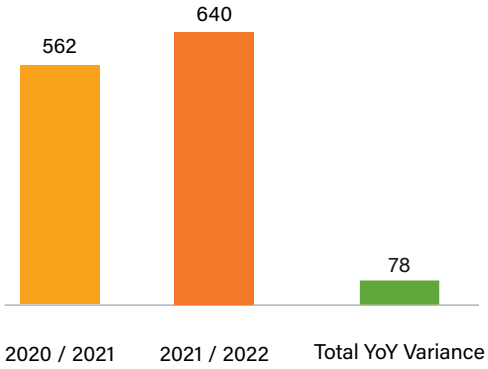
Armed Robbery Incidents



In comparison to 2020/2021FY, Business burglaries:

- Reported incidents increased by 78 (12%) – from 562 to 640
- Reported losses decreased by R65k (0.003%) – from R19,87m to R19.81m

Business burglaries



During the 2020/2021FY, 269 cash protection devices were installed at SA Post Office branches. In total, from project initiation, 770 of the 801 devices have been installed as at 31 March 2022.

Supply Chain Management (SCM)

The SCM unit comprises of the following units:

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

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

PROCUREMENT

The SA Post Office expended approximately R1.3 billion in procuring goods/works and services, excluding statutory payments. The procurement process ranges from low value, individual purchases of commodity items through to complex high value, high risk contracts. s

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

As a State Owned Company, the SA Post Office is subject to National Treasury Procurement Legislations that places a number of legal requirements on the manner in which procurement activities are undertaken. National Treasury Procurement Legislation may limit flexibility, but it does not alter the necessity for procurement to deliver financial benefits and value for money on the goods, works and services procured.

There were 90 valid contracts as at 31 March 2022. The highest value contracts are with Security Services and the Information Technology departments.

The strategy for 2021/22 FY was to review all contracts to ascertain the value they add to the business. Contracts could not be reviewed as planned due to a lack of skilled resources to perform the contract review. It is planned that during 2022/23 FY the contract reviews will be outsourced so as to ensure objectivity; however this depends on funding availability.

SUPPLIER MANAGEMENT

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

For the 2021/22 FY, the SA Post Office expended 21% of its annual procurement spend of R1.3 billion on companies that are at least 30% owned by black women.

GOVERNANCE

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

LOGISTICS

The Logistics unit is responsible for inventory management, that is, saleable (60%) and consumable stock (40%).

Inventory is currently centralised in the SA Post Office premises in Silverton, Pretoria. The strategy going forward is to decentralise the warehousing of inventory, particularly the consumable stock so as to improve the turnaround time to yield positive customer service levels and to promote regional local procurement.

SCM has started with the Eastern Cape and Kwa Zulu Natal regions in piloting regional warehousing. The project has been put on hold due to funding constraints.

The disposal of moveable assets that have been written off in accordance to DOA also resides within this unit.

SCM 2022/23 FY STRATEGY

A fully capacitated SCM will focus on the Category

Management Approach. Delivering on effective procurement depends on taking into account the nature of the purchases (value and risks), business needs and the nature of the current and future markets.

The advantage of this approach is that it indicates where specialist procurement skills and knowledge should be focused and where best to exploit aggregations to achieve savings and improved service. The strategy was to be implemented in 2021/22 FY, however, due to lack of funding resources, could not be implemented. The plan has been carried forward for 2022/23 FY.

International Relations and Participation

STAKEHOLDER MANAGEMENT

Government Relations

Government Relations is responsible for establishing and strengthening stakeholder relationships with all three tiers of Government: National, Provincial and Local as well as Parliamentary Portfolio Committees, select committees of the National Council of Provinces and study groups.

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

Building relationships with Government has become a key strategic objective for businesses throughout the world. This requires understanding the concept of GR, political understanding and the dynamic nature of political and parliamentary relations.

Parliamentary Relations

Parliament is an essential part of South African politics and interacts on a daily basis with a number of important organisations, including the SA Post Office. It is the supreme legal authority in the country, which makes, amends, and repeals any law. Parliament consists of the National Assembly and the National Council of Provinces.

SA Post Office Interacts with Parliament's Portfolio Committees of the National Assembly and Select Committees of the National Council of Provinces, as well as study groups of various political parties represented in Parliament. Like all other Government departments and state-owned entities, SA Post Office is accountable to the sector ministries and to these Parliamentary Committees and study groups.

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 SA Post Office License.

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

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

Universal Postal Union (UPU):

The UPU was established in 1874, with its Headquarters in Bern, 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 192 member countries. It sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail volumes and to improve the quality of service for customers.

Pan African Postal Union (PAPU)

The 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. The SA Post Office is a member through our shareholder.

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 Southern Africa Development Community (SADC) member countries.

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

SAPOA main objectives are 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.

Currently SA Post Office heads up two senior positions within SAPOA:

- Chair of the CEO's forum ,chaired by the Chief Executive Officer
- Chair of the Operators Directors of SAPOA ,chaired by the Head of Logistics

Conference of Commonwealth Postal Administrations (CCPA)

The CCPA was formed in 1971 and has a membership of 71 Postal Administrations drawn from the Commonwealth 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 membership represents about a quarter of the UPU electorate.

International Projects

The overarching strategy of the international postal sector is focused on digital transformation.

The eCommerce project has been endorsed by the Minister of Communication and Digital Technologies in terms of which South Africa has been earmarked to be the hub of eCommerce in the region. This also forms a strategic pillar of the Post Office of tomorrow strategy. Assessments have been undertaken by the UPU team in 2017 and the SA Post Office is working towards fulfilling this role.

Philately and Museum

PHILATELIC SERVICES

Philatelic Services is the unit that produces stamps for the SA Post Office. The name Philatelic Services stems from Philately, which is the hobby of collecting and studying stamps and related material. We are responsible for the design and printing of postage stamps and postal stationery for the Post Office. The section also distributes and sells stamps. As the producer of stamps, Philatelic Services is also mandated to safeguard stamps as they are part of our heritage as a country; for that reason Philatelic Services provides the Post Office Museum that with all stamps produced in South Africa for safe keeping and posterity.

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

At Philatelic Services we say, collect stamps and experience fun. The fun part about collecting stamps is the certainty that they will be issued on a constant basis and that the issues will be varied so that as many people as possible can enjoy them. Many people collect stamps according to themes, e.g. cars, trees, sport and even nudity whilst others collect the definitives – the everyday stamps of the country.

Philatelic Services is divided into two sections, Product Development and Business Development. Product Development is responsible for the production process of stamps ranging from procuring and producing artwork to designing stamps and related products. Business Development is responsible for the marketing and sales of stamps as well as client services. Business Development

works closely with the Stamps Distribution Centre as orders are dispatched from there.

Stamp Issuing Programme

There have been no stamp issues for 2021/22FY. The stamp programme will be amended and the issues will be reprioritised following consultation and approval by the Stamp Advisory Committee.

The Road to Democracy stamp which was originally planned to be launched during November 2021 to coincide with the International Stamp Show, has been rescheduled for issue to 2022, following postponement of the International Stamp Show to November 2022.

2022 International Stamp Show, Cape town - Issue date: 8 November 2022. First sketches of the stamp design that depicts the end result of the Road to Democracy, namely the South African Constitution was approved by the SAC. Work on the advanced artwork is in progress and might differ from the sketch below.

The following stamp issues have been reprioritised:

- The Bicycle - an expression of lifestyle
- SA Bird Series: Endangered Vultures
- COVID-19 Stamp
- World Post Day – Booklet
- tourism SA series - Part 1

Services to SA Post Office

The Product Development section has continued to provide much needed services to the company especially to the Marketing, Communications, and Strategy divisions.

Marketing:

- Speed Services Couriers social media banners
- 2022/23 Rates Brochure

- Launch of the MVL application website
- Display MVL video describing digital application steps

- Postbox renewal 2022/23 social media banners

- Speed Services Couriers parcel tips campaign – series of social media banners
- PosTransfer social media banners – Zimbabwe

Communications:

- Airmail to US and Australia social media banners

SA POST OFFICE MUSEUM

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

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

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

The museum develops and maintains a national postal collection of South African historical material. The activities of the museum include acquiring, documenting, researching, writing articles, interpreting and presenting exhibitions, programmes and lectures and preservation.Currently the SA Post Office Museum is an affiliated member to a number of associations in South Africa and actively participates in a number of events related to communication and preservation of heritage. The SA Post Office Museum are looking at reaching audiences on new platforms including online exhibitions.

SA Post Office Museum Archive images depicting modes of transporting mail over the years.

▲ Mailman with his bicycle

▼ Air Mail, since 1925s

▲ Ocean Mail, 1852-1860s

▲ Camel Mail, 1900-1915

Mail Carrier, before existance of organised postal system ▶

▲ Mail Coach, late 1800s: The Post Office experimented with zebras, but the idea was very short lived

Docex Managing Director's Overview

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

Customer service continues to remain a high priority within the company, guaranteeing an overnight delivery of time sensitive documents between members, sheriffs, and courts nationally. Docex will intensify the expansion of its footprint and reach to ensure that the future needs of current and future members are catered for.

The current economic landscape and digitisation continued to add to the pressure on the Docex revenue line; and emphasis was placed on cost efficiency costs in order to the revenue line. A process to acquire the Advanced Electronic Signature was undertaken and this will be fully operational in the coming financial year, 2022/2023.

DOCEX FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2022

Revenue for the year increased from R34.6 million in the prior year to R35.3 million in the current financial year. This was due to cost containment measures resulting in reduced operational costs compared to prior year. Furthermore an increase in excess weight revenue compared to the prior year contributed positively to the overall revenue generation.

The marginal increase in revenue was, however, negatively impacted by lower subscription and daily delivery revenue line items; this was due to an increase in the number of member subscription downgrades emanating from the tough economic conditions. The operational expenditure

was positively impacted by the relocation of office space to more cost-effective rented premises, in addition to other cost containment measures implemented in the current year.

The negative impact on the reported profit, which was lower than the prior year, resulted from the implementation of IFRS 16 accounting standards for disclosure purposes. Its implementation resulted in the accounting of additional depreciation and interest expense as required by the accounting standard.

Financial Indicators

- Net asset position of R15.7 million at the end of March 2022
- Cash and investment reserves of R24.8 million at the end of the period.
- Quick asset ratio is 1.35, this is slightly higher than the prior year's 1.33; this represents the company's ability to pay its current liabilities as they become due.
- Current liabilities increased by 3% year on year, and current assets increased by 5%.
- Ability to cover its operational costs due its profitability in the current year, although the profit was slightly lower compared to prior year.

Due to the digital modernisation strategy and its objective to be in line with the country's judicial digitisation rollout, Docex has commenced with the implementation of the Advanced Electronic Signatures which will be closely followed by a digital platform rollout. These measures will position the company to align to the technological changes driven by the current market demands.

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

Dina Lume
Managing Director, Docex PTY(Ltd)

THE DOCUMENT EXCHANGE (PTY) LTD OPERATIONAL PERFORMANCE

Performance on predetermined objectives at as 31 March 2022

Performance Overview

Service Delivery Environment

Revenue for the 2021/22 FY is lower by 12.5% (R4.4m), and up marginally by 2% against prior year (R0.7mil), due to a decrease in signing of new members and cancellations of existing members subscriptions. This revenue line continues to be under pressure as a result of mergers and subdued economic conditions.

Subscription revenue was lower by 2.5% against prior year, subscription revenue continues to be the main driver of revenue as it accounts for 80% of total revenue generated by the company. On the positive, there was an improvement in excess weight revenue which is demand driven, this indicates an improvement in customer volumes.

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

Organisational Environment

A number of other key positions have remained vacant during the 2021/22 FY but the process is advancing into the recruitment phase. Staff numbers have decreased by 2 over the financial year to 62 from 64 in the prior year due to normal attrition.

Strategic Outcome Oriented Goals

Performance Information

Strategic Objectives, Key Performance Indicators planned targets and actual achievements

The Document Exchange Pty Ltd (Docex) is a subsidiary of the SA Post Office and provides for the secure collection and delivery of confidential documents.

The strategic objectives over the 2021/22 FY considered four key strategic objectives focusing Docex on setting the foundation for its transition to being a modern business - and operating model, competing efficiently in a digitised economy, with revenue generated from its digital service and product revenue streams.

The 4 strategic objectives identified for the Strategic Plan were:

1. Financial Sustainability
2. Digital Transformation
3. Operational Efficiency
4. Corporate Governance

A total of 11 Key Performance Indicators (KPIs) were set and measured for the 2021/22 FY, aligned towards attaining the strategic objectives.

Performance over 2021/22 FY has declined considerably from prior year. Some of the KPIs have performed poorly as compared to prior year, with only 4 achieving 100% of target, and the remaining 7 KPIs not achieving target, resulting in an overall 42% achievement of the set KPI target.

It must be pointed out that the performance of Docex has been adversely affected by the organisational performance of the SA Post Office.

Strategic Objectives	Planned Target	Number Achieved 100%	100% Achievement	Number achieved 80% - 99%
1. Financial Sustainability	4	1	25%	1
2. Digital Transformation	2	1	50%	0
3. Operational efficiency	3	1	44%	2
4. Corporate Governance	2	1	50%	0
Total	**11**	**4**	**42%**	**3**

Financial Sustainability

The strategic objective is focused on retaining current and diversifying revenue streams. Docex is a secure distribution service provider to a niche group of customers who frequently send and receive confidential documents.

Currently Docex enjoys a dominant market position within this niche segment, particularly within the legal industry, and is positioned within the letter & parcel distribution sector. Docex has a strong market advantage which is enabled by a large closed loop national distribution network, its subscription-based product model and unique back office access at selected South African courts. To date Docex has not had a direct competitor which has further contributed to its dominant position. The dominant position Docex currently holds within the secure document distribution market is under threat and is currently facing increasing vulnerability to digital alternatives and new market competitors.

The strategic objective comprised of 4 KPIs, which considered the growth in revenue from the previous year, retention of subscriber base, remaining within the allocated cost budget and achieving a projected net profit position. The growth in revenue, increase net profit position from previous FY and the retention of members target was not met. The KPIs relating to remaining within the allocated cost budget was achieved.

Digital Transformation

The strategic objective focuses on the development of an integrated service delivery platform, and considered 2 KPIs, Source a digital certification and signature solution and the Launching the Legal Document Digital platform (eDocex). The Sourcing a digital certification and signature solution KPI was achieved. The launching of the Legal Document Digital Platform (e-Docex) KPI was not achieved.

The Digital Transformation for Docex remains key to its continued future sustainability and relevance. For 2022/23 FY, the implementation of the eDocex platform has remained as a KPI.

Operational Efficiency

The strategic objective is focused on improving the effectiveness of the Docex business processes and operational environment. The objective comprised of 3 KPIs, which considered the mail dispatched by 9h00, customer queries resolved within 48hours and the upgrading of the Scanning, Weighting, and Dimensioning (SWAD) machines at the five high volume branches. From the 3 KPIs only one was met, being the upgrading of the SWAD machines at the 5 high volume branches.

Corporate Governance

The strategic objective considered 2 KPI by way of obtaining an Unqualified Audit Opinion by the Auditor General for the 2021/22 FY and establishing SLA with key SA Post Office support service. The KPI to establish SLA with SA Post Office support service was met, however the target to have an unqualified audit opinion for 2021/22 FY was not achieved with a qualified audit opinion issued by the Auditor General. Work is continuing with the aim of addressing outstanding audit matters.

The detailed performance for the KPIs is indicated in the table below:

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Actual Performance and Reason for Target Variance/Deviation
1. Financial Sustainability	to be financially sustainable and achieve a positive net financial and cash position	1.1	Growth in revenue from previous FY	11%	2%	9%	**Not Achieved**	Total operating revenue of R35.3 m was generated for 2020/22 FY against a prior year target of R34.5m. The reduced revenue to prior year was as a result of the business slow down associated with Covid-19, impacting barcode sales new subscriptions and cancellation of existing members due to closure of offices and mergers.
		1.2	Retention of subscriber base as at 31st March 2021	100% (2059)	91% (1882)	9%	**Not Achieved**	Due to the current economic conditions existing members are either resigning, downgrading or placing their subscriptions on hold. There were 177 members who cancelled membership YTD representing 9% decline.
		1.3	Remain within the allocated cost budget	R34.8m	R34m	R0.8m	**Achieved**	Expenditure slightly lower compared to budget, transport costs remained the main driver to overall costs.
		1.4	Increase net profit position from 31 March 2021	9%	-	9%	**Not Achieved**	Due to an increase in transport expenses and IFRS16 disclosure requirements, the net financial position was adversely affected by the net profit target of 9% in the prior year not achieved.
2. Digital Transformation	Integrated service delivery platform	2.1	Source a digital certification and signature solution	Launch a digital certification and signature solution	Competed	N/a	**Achieved**	The launching of digital certification and signature solution was completed in line with the KPI target.
		2.2	Launch the Legal Document Digital Platform (e-Docex)	Platform launched into the market	Not achieved	-	**Not Achieved**	Target for the year was not met due to delays in the upgrading of the SAPO Trust centre

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Actual Performance and Reason for Target Variance/Deviation
3. Operational Efficiency	Improving the effectiveness of the Docex business processes and operational environment	3.1	Upgrade the SWAD system at five high volume branches	5	5	-	**Achieved**	Daily reports are received indicating the activity that takes place at the various branches as well as detailed report on the excess weight per branch and individual members
		3.2	% customer queries resolved within 48hrs	96%	91%	5%	**Not Achieved**	The target was not achieved due to delay in movement of bags, especially to the remote areas. Some of the exchanges only received delivery one to twice a week and as a result the queries were only resolved after 48 hours.
		3.3	% of mail dispatched by 9h00	90%	87%	3%	**Not Achieved**	The target was not achieved due to the withdrawal of vehicles and challenges relating to the service provider and as a result drivers arrive late at the respective branches and the despatching time was not adhered to.
4. Corporate Governance	Strengthened organisational governance with well entrenched and consistently applied governance principles.	4.1	Improve the Audit Outcome for FY 2021/2022	Unqualified Audit Opinion 2021/22	Qualified Audit Opinion	Unqualified Audit Opinion	**Not Achieved**	The annual target to have an unqualified audit opinion for 2021/22 FY was not achieved and a qualified audit opinion was issued by the Auditor General. Work is continuing with the aim of addressing outstanding audit matters.
		4.2	Establish SLA with key SAPO support services	Conclusion of SLA	Completed	N/a	**Achieved**	The SLA with SAPO (Speed services) support services was concluded

Legend Performance - Achieved / Not Achieved			
Not Achieved	Less than 100%	**Achieved**	Achieved 100%

SA Post Office Subsidiaries

Courier Freight Group (Pty) Ltd

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

The company recorded a net profit after tax for the year ended 31 March 2022 of R 5 581 074 (2021: R644 887).

The Document Exchange (Pty) Ltd

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

The company recorded a net profit after tax for the year ended 31 March 2022 of R 433,986. This represented a decrease of 89% from the net profit after tax of the prior year of R3,780,503. Company revenue increased by 2% from R34,586,819 in the prior year to R35,306,055 for the year ended 31 March 2022.

SAPOS Properties (East Rand) (Pty) Ltd

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

At 31 March 2022 the company's investment property amounted to R45 013 500 (2021: R50 775 846), of which R5 762 346 (2021: R3 494 722) was reduced through fair value of the property.

SAPOS Properties (Bloemfontein) (Pty) Ltd

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

At 31 March 2022 the company's investment property amounted to R3 535 840 (2021: R5 584 690), of which R2 048 850 (2021: R 504 820 increase in fair value) was reduced through fair value of the property.

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

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

At 31 March 2022 the company's investment in property amounted to R23 117 000 (2021: R 17 150 485), of which R5 966 515 (2021: R 2 605 168 decrease in fair value) was adjusted through fair value of the property.

SAPOS Properties (PE) (Pty) Ltd

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

At 31 March 2022 the company's investment in property, plant and equipment amounted to R4 500 000 (2021: R2 425 758), of which R2 074 242 (2021: R144 536) was increased through fair value of the property.

SAPOS Properties (Rossburgh) (Pty) Ltd

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

At 31 March 2022 the company's investment property amounted to R0 (2021: R9 685 980) as it was classified as held-for-sale during the financial year. An amount of R7 914 020 related to an increase in the fair value of the property prior to the reclassification (2021: R544 507 decrease in fair value).

The investment property was classified as held-for-sale during the year, since the property was sold at auction during March 2022 for R17 600 000. The consideration for the property will be received in full when the property is fully transferred to the buyer.

Mail being sorted into mail boxes

"The truth isn't always beauty, but the hunger for it is"

Nadine Gordimer

Church Square Post Office, Pretoria

Introduction

The SA 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 SA Post Office is further required to encourage the development of human resources and capacity building within the postal industry, especially among historically disadvantaged groups.

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

The SA Post Office appeared before the Portfolio Committee on Communications on the following matters: Turnaround Plan of the Post Office, social grants, quarterly and annual performance reporting; strategic and annual performance plans. The SA 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 ACCOUNTING AUTHORITY/ THE BOARD

The Board is the Accounting Authority of the SA Post Office and has strategic leadership and proprietorship of the SA Post Office Strategic Plan, Annual Performance Plans (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 2021/2022 year.

The Annual General Meeting was held on 27 September 2022 where the requisite statutory approvals in terms of the Public Finance Management Act and Companies Act were made.

Board of Directors

COMPOSITION OF THE BOARD

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

Ms. Tia van der Sandt (from 25 October 2019 until 5 Jan 2022)

Tia van der Sandt was 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.

Mr. Sipho Luyolo Mtika Majombozi (from 01 September 2020)

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, and chairperson of the NHC Heritage Funding Committee. He is a member of the SA Institute of Directors.

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

Ms. Nolitha Pietersen CA (SA) (from 01 Sept 2020 until 27 Jan 2022)

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

Ms. Pietersen was the Chairperson of the SA Post Office Audit and Risk Committee, as well as a member of the Investigations and Disciplinary Committee.

She is also a member of the Governance and Ethics Committee and Chairperson of SITA and Mayibuye Transport Corporation and a member of the Audit Committee member of Postbank.

She is the Chairperson of the Association for Black Accountants of Southern Africa Eastern Cape region.

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

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

Adv. Emmanuel Tladiametse Lekgau (from 01 September 2020 until 14 Feb 2022)

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

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

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

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

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

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

Amb Mavivi Myakayaka-Manzini (from 01 September 2020)

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

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

Mr. Sipho Nkese (from 25 October 2019)

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

Sipho has 23 years' experience in Human Resources and 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, and having been the Group Executive Human Resources at the SA Post Office from September 1995 to January 2006.

Ms. Nondumiso Ngonyama (from 25 October 2019)

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

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

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

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

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

Mr. Toto Ntetho from (1 June 2021)

Toto Jazzman Ntetho has a National Diploma in Telecommunications from the South African Post Office College, Advanced HR and IR certificate from Rhodes University and BCom Management Degree from Unisa.

Toto has worked for the Telecommunications Company (Telkom) for 33 years.

He served as the Chief Negotiator for Communication Workers Union during the Integration of former TBVC Telecoms Departments to the Democratic South Africa 1996 and beyond.

Mr. Dawood Dada

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

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

Attendance of SAPO Board of Directors meeting and committee meetings

Name	Surname	Initial	Title	Appointment	Resignation	Board	Audit & Risk	Social & Ethics	HRRTP	IT Gov STP Proc	Stamp	DOCEX
Sipho Luyolo Mtika	Majombozi	SLM	Mr	2 Sep 2020	-	27	-	2	-	7	-	-
Nondumiso Pumela	Ngonyama	NP	Ms	25 Oct 2019	-	24 1 hour 31/8, 2 hours 12/10	-	-	6	-	1	-
Sipho Thomas	Nkese	ST	Mr	25 Oct 2019	-	26 1½ hour 30/7 3 hours 10/12	-	3	6	-	1	-
Yvette Lillian	Myakayaka-Manzini	YL	Mr	3 Sep 2020	-	22	-	3	5	7	-	-
Toto Jazzman	Ntetho	TJ	Mr	1 Jun 2021	-	21	5	-	2	-		-
Sandile	Phillip	S	Mr	4 Sep 2020	6 Aug 2021	4	7	-	-	2	-	-
Catharina Maria	van der Sandt	CM	Ms	25 Oct 2019	6 Aug 2020	17	7 ½ hours 29/7	-	-	6	-	-
Catharina Maria	van der Sandt	CM	Ms	7 Aug 2020	5 Jan 2022							
Nolitha	Pietersen	N	Ms	5 Sep 2020	27 Jan 2022	14 1 hour 16/8	12	2	-	-	-	-
Emmanuel Tladiametse	Lekgau	ET	Mr	1 Sep 2020	14 Feb 2022	15	10	3	3	2	-	-
Nomkhita Princess	Mona	NP	Ms	1 Apr 2021	-	22	11	1	6	6		5

Name	Surname	Initial	Title	Appointment	Resignation	Board	Audit & Risk	Social & Ethics	HRRTP	IT Gov STP Proc	Stamp	DOCEX
Lenny Poonsamy	Govender	LP	Mr	1 Jan 2021	-	22	9	A		4		1
Zukiswa	Ntsikeni	Z	Ms	1 Apr 2019	Dec 2021	23	11	1	6	6		5
Dawood	Dada	D	Mr	1 Aug 2017	-	25	2					
Nompumelelo	Semetse	N	Ms	10 Sept 2019	31 Dec 2021	14	11	3		-		4
Maria Helena	Martin	MH	Ms	1 Feb 2009	-	-	-	-	-	-	1	-
David James	Wigston	DJ	Mr	1 Mar 2008	-	-	-	-	-	-	1	-
James Gavin	Younge	JG	Prof	1 Mar 2008	-	-	-	-	-	-	1	-

Board Committees

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 AND RISK COMMITTEE

The 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 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.

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.

HUMAN RESOURCE, TRANSFORMATION, REMUNERATION AND PERFORMANCE COMMITTEE

The Human Resources, Transformation, 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.

The committee monitors compliance with relevant labour and employment legislative matters and recommends approval of significant human resources related policies to the Board. Members are appointed by the Board and comprised of at least three non-executive members of the Board on a term of maximum three years, extendable thereafter.

IT GOVERNANCE, AND STRATEGIC PLANNING COMMITTEE (STP)

The Committee is responsible for overseeing on behalf of the SAPO Board the execution of the IT and strategic related decisions identified from time to time across the SA Post Office Group within the authorities delegated by the SAPO Board. Members are appointed by the Board and comprised of at least three non-executive members of the Board on a term of maximum three years, extendable thereafter.

STAMP ADVISORY COMMITTEE

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

Emptying mail box

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.


Scanning bulk mail

Risk Management

Board Accountability

The Board is responsible for the total risk management process within the Group as well as for overseeing the implementation of mitigation strategies to address significant risks facing the Group. The Board acknowledges the legislative, Governance and compliance requirements which define and direct the risk management responsibilities of the Board, executive management and that of employees as defined in the Public Finance Management Act.

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

- Has established a combined Audit and Risk Management Committee to oversee the Group's risk management program and monitor emerging risks that may emanate from changes in the corporate plan and external environment
- Has duly delegated to management the responsibility to design, implement and monitor the risk management plan by delegating the day-to-day responsibility for risk management to management

2021/22 Risk Assessment

The SA Post Office's response plan aimed at stabilising the organisation gave rise to the Turnaround Plan (TP). This plan was formulated during the period the organisation was under severe financial constraints. Subsequently, said TP was comprehensively risk assessed to identify future risks as well as risks that had in fact already manifested or come to fruition as a result of failed risk plans that would further hinder its achievement. At the time the risk exposures were identified, it was acknowledged that the organisation was in fact already operating in crisis mode.

The strategic risks and exposure areas identified were mostly considered very high to extreme. This indicated that the control environment against the said risks were considered inadequate, further signifying that the achievement of the 2021/22 annual plan, which was primarily aimed at stabilising the organisation, would require much effort in order to overcome the exposures identified.

To this end, the requisite mitigation actions were identified intended to minimise the identified exposure. Management was duly mandated to reinforce an effective risk mitigation plan. In this regard, management was therefore required to establish, deploy and maintain risk response plans for their respective areas of responsibility and accountability to avert and manage the identified risks towards the achievement of the TP.

Status of Risk Mitigation

Risk mitigation strategies for key risks are intended at improving the control environment and to mitigate those aspects that impact negatively on the organisation's ability to:

- Build and grow an efficient and sustainable business
- Embed a robust risk management culture and promote overall compliance
- Align business operations to customer needs as well as shareholder priorities
- Institutionalise good governance
- Enhance adequate internal controls, streamlining processes and enhancing efficient decision making
- Renew and design appropriate infrastructure (Physical and IT systems) for the future, and
- Innovate new products and services

It had been anticipated that the implementation of such initiatives embedded in the annual plan, would yield some positive gains towards stabilising the organisation and ultimately deliver a viable financial recovery plan to sustain the business. This was unfortunately not the case, as some mitigations were not successfully implemented during the period under review. This is also evidenced by the organisation's non-achievement of the TP.

Some of the reasons behind the inability to close identified exposures in the organisation include the organisation's inability to secure funding, the high vacancy rate, especially at executive and senior management level, as well as key critical positions across the organisation. This has an impact on the leadership's capacity and stability to drive implementation, operational and process inefficiencies, appropriate skill and capacity etc. These are identified as key enablers and dependencies towards the successful implementation of business initiatives and risk mitigation actions aimed at radically transforming the business.

Strategic planning has set the platform for changing the organisation in terms of how and what should be done

which is anticipated to evolve into implementable initiative to correct known inefficiencies. The ability to enhance adequate internal controls, good governance, streamlining processes and enhancing efficient decision making is key to this.

The highly challenged financial position of SA Post Office, inclusive of the absence of much needed investment into SA Post Office to address some legacy challenges and correction of instances of extreme disrepair, has had a huge impact on the ability to manage risks to an acceptable level. Continuing operating losses mainly due to operating expenditure that still exceeds declining revenues keep the organisation financially distressed and this impacts on the future sustainability of the organisation.

The organisation's inability to meet its payment obligations at all times as well as to settle historical debt which continues to accumulate due to insufficient revenues, also exacerbated the risk. The organisation is continuously improving its expenditure controls with the integration of risk mitigation procedures to achieve improved control management. However, cost saving efforts had no real impact as they were overshadowed by the declining revenues. Anticipated funding support from Government did not materialise.

The SA Post Office has a high fixed staff cost structure in a declining postal environment. Voluntary Severance Packages (VSP) were offered but did not achieve the planned target; alternatives would need to be considered to decrease staff cost in relation to revenue generated. The acquisition of new skills and training or reskilling of staff in line with strategic imperatives would have to be considered. Furthermore, the high staff cost is also being addressed through other planned future VSP and Owner Driver initiatives. The need for a funding injection from National Government remains critical for a successful turnaround and implementation of mitigations. The ability to ensure adequate investment in employees to take them along and to build capability for the future is also depended on funds availability.

The mandatory Universal Service Obligation (USO) coverage requires the organisation to provide services in areas that are not financially viable. The ongoing disconnect between compulsory fixed costs relating to the social mandate and declining reserved mail revenues over many years, without any external government funding to cover the shortfall, has created recurring financial distress for the organisation and this needs to be addressed to create long-term financial stability for the organisation.

Revenue shortfalls have had a major impact on the SA Post Office's ability to provide optimum services, and a high staff expenditure and decreasing mail volumes exacerbated the impact. This counters efforts to exploit potential revenue streams.

The risks associated with the enormity and complexity of servicing SASSA grant payments remained high and further placed strain on resources in the organisation, introduced major security and safety risks and significant losses. The grant payments require prefunding which has proved to be a monthly challenge for the organisation.

The cumulative impact of an investment backlog on both IT and Property infrastructure contributed much to the current situation. Continued deterioration of facilities remains a risk mainly due to the minimal repairs and maintenance. Non-alignment of the facilities footprint to customer needs also impacts on service delivery with cases of underutilisation and redundancies.

Suitability of facilities to house operations and ability to adapt structurally, impacts on operations. An initiative to rebalance and rationalise service points for improved cost effectiveness has not been implemented effectively. The availability of capital funding for repairs and maintenance as well as the lack of skills to execute repairs internally are major obstacles.

The past year under review was extremely challenging. Although response strategies were developed for the organisation to claw back lost market share, the capital required to fund those strategies has sadly not been forthcoming. The delay in funding resulted in a deferred strategy implementation.

Although the ongoing risk identification and mitigation monitoring continued as required, the difficulty has been with the successful implementation of identified mitigations. Mainly due to reasons alluded to above. The top ten strategic risks as presented below were largely considered residually high to extreme. Persistent operational risks and inefficiencies indicate that controls have not reached the desired levels.

This indicated that the control environment against the said risks was inadequate. It further signified that the achievement of the current year's Corporate Plan, which was primarily aimed at the continuation of the organisational stabilisation would require additional effort to overcome the exposures identified.

Risk Financing

Risk financing responds to incidents of damage or loss as a result of unforeseen events. To the extent considered appropriate, external insurance cover is used as one of the mechanisms to mitigate operational risks and transfer some risk to third parties in the insurance market.

Risk Ranking

Overall Strategic Risk Ranking – Residual Risk					
Control	Excellent	25	12	9	4
	Good	R7 50	24	18	8
	Satisfactory	R4 R6 R5 75	36	27	12
	Proor	R1 100 R2 R3	48	36	16
	Ineffective	125	R8 60 R9 R10	45	20
		Very High	High	Medium	Low
		Inherent Risk			

Unacceptable Risk Levels

Residual Risk Value			Tolerance	Appetite
60-125		Very High/Extreme	Unacceptable	Unacceptable
50 - 59		High	Unacceptable	Unacceptable
45 - 50		High	Tolerable	Acceptable
16 - 44		Medium	Acceptable	Acceptable
4 -15		Low	Acceptable	Acceptable

Top ten strategic Risks

No	Risk	Contributing factors	Inherent Risk
R1	Sustainability risk and inability to maintain Going Concern	▪ Strained solvency and liquidity ▪ Increasing operating losses ▪ Inability to deliver on a viable financial recovery plan to sustain the business ▪ Creditor backlog ▪ USO and non-commercial initiatives	Very High
R2	Customer trust deficit and brand equity erosion impairment	▪ Inability to maintain satisfactory customer service levels ▪ Negative customer experience ▪ Inability to deliver to customer expectations ▪ Theft and losses ▪ Operational failures and inefficiencies	Very High
R3	Increased vulnerability and susceptibility to competitive forces	▪ Lack of agility, adaptability and innovation ▪ Digital substitution ▪ Stagnant product evolution cycles	Very High
R4	IT Related Risks	▪ IT Infrastructure Readiness ▪ Archaic and unstable systems ▪ Spend backlog on required investments ▪ Stagnant IT transformation and digitisation	Very High
R5	Execution Risk. Inability to deliver on the STP	▪ Operational inefficiencies ▪ Inability to sustain and secure essential services from external providers ▪ Inability to secure funding	Very High
R6	Bloated and ineffective organisational structure	▪ Ineffective business model	Very High
R7	Human Capital and Change Management Risk	▪ Leadership capacitation and stabilisation ▪ Skills and strategy alignment ▪ Disenfranchised staff	Very High
R8	Decayed and Aging Infrastructure	▪ Spend backlog on required investments	Very High
R9	Criminality: Fraud and Theft	▪ Fraud, cybercrime and theft	Very High
R10	Governance Risk	▪ Challenges regarding clean governance and audit ▪ Non-compliance risks	Very High

Social and Ethics committee Report for the year ended 31 March 2022

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 Committee met 4 times over the 2021/22 reporting period wherein it received reports from management and provided oversight over the key focus areas such as:

- Compliance Charter, and Compliance Policy
- Compliance Universe under which the company operates
- Compliance Risk Register
- SASSA/SA Post Office Service Level Agreement (SLA) Compliance Reports
- Compliance Activity Plan, which monitors the activity of the SA Post Office Compliance Unit
- FICA/FAIS Report
- BBBEE Compliance Plan
- Occupational Health and Safety Reports
- Employment Equity Reports
- Consumer Relations Report

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.
- Adv. Emmanuel Lekgau (Chairperson), until 14 Feb 2022
- Mr. Sipho Nkese
- Ms. Yvette Manzini-Myakayaka
- Mr. Sipho Majombozi
- The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operations Officer, five other group executives are permanent invitees to all committee meetings.

Committee Charter

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

Compliance with Laws and Regulations

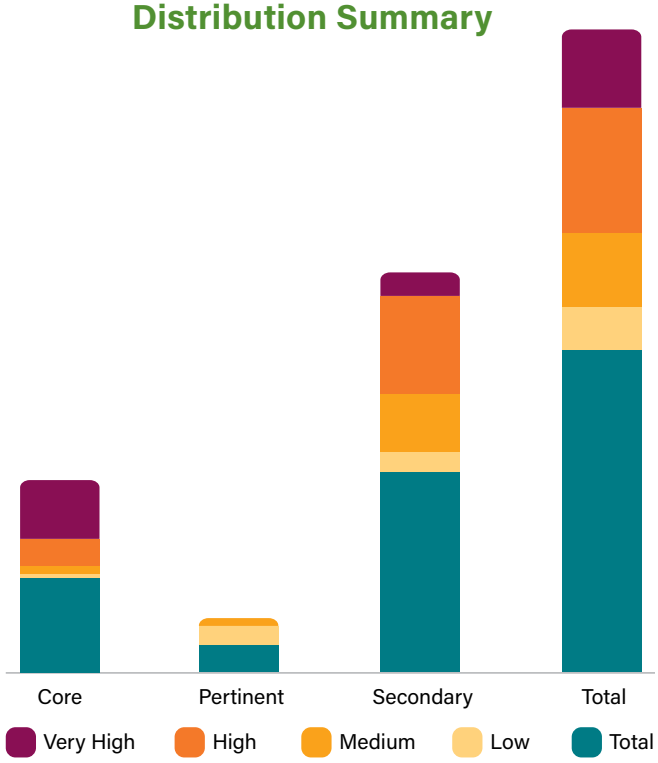
REGULATORY COMPLIANCE

SA Post Office recognises compliance as an integral part of governance in accordance with the requirements of King IV. Sound corporate governance practices are essential for creating and sustaining value and ensuring that corporate behaviour is ethical and legal. Therefore, the organisation has established appropriate structures and processes to ensure adequate and effective adherence to applicable statutes, guidelines, rules and codes.

In order to support its intentions to be a good corporate citizen, the SA Post Office has an established Compliance Function which reports to and advises the Board through the Social, Ethics and Stakeholder Management Board Committee.

The Compliance Function has established processes to ensure compliance with relevant and applicable legislation, regulations, policies and regulator inspection findings. A Compliance Policy, Compliance Framework and Procedure Manual as well as the applicable and SA Post Office specific Compliance Universe has been established. Compliance Risk Management Plans are developed in line with prioritised acts and regulation for annual focus.

Compliance Universe – Risk Distribution Summary



The Compliance Function has the responsibility to ensure compliance with various legislative requirements impacting on the organisation. This includes compliance awareness, compliance monitoring to evaluate the compliance status of the organisation which includes the detection and correction of non-conformances, and providing compliance assurance.

The Compliance Unit aims to inculcate a compliance culture within the organisation. It is also intended to assist the Board of Directors and the organisation with the improvement of compliance management and growing compliance maturity within the organisation.

Appropriate controls are in place to ensure compliance with the various regulatory requirements applicable to the Group. The laws that are core to the organisation and hold the most significant risk for the organisation relate to the postal license requirements and other regulations and agreements including, but not limited to:

- Companies Act No. 71 of 2008
- Consumer Protection Act, No. 68 of 2008
- Financial Intelligence Centre Act, No. 38 of 2001
- Financial Advisory and Intermediary Services Act No. 37 of 2002
- National Treasury Regulations
- Protection of Personal Information Act, No. 4 of 2013
- Post Office License (ICASA)
- Postal Services Act, No. 124 of 1998
- Public Finance Management Act, No. 1 of 1999 and related Treasury Regulations
- South African Post Office SOC Limited Act, No.22 of 2011
- SASSA/SAPO Service Level Agreement

Financial Misconduct

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

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

FINANCIAL MISCONDUCT COMMITTEE

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

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

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

During June 2021, the SA Post Office FMC was reconstituted to include additional members and function based membership.

The FMC is currently in the process of reviewing instances of Irregular - and Fruitless & Wasteful expenditure. Where required, consequence management has been recommended for implementation.

IRREGULAR EXPENDITURE (IRE)

An accumulated balance of R2.349 billion from 2015/16 FY for IRE is to be finalised for condonement and regularisation. The process of submitting applications for condonation to National Treasury has commenced. Where required, consequence management has been recommended for implementation.

FRUITLESS & WASTEFUL EXPENDITURE (F&WE)

During the 201/22 FY an amount of R648.2 million of F&WE was approved for write-off by the Board of Directors as recommended by the FMC. The amount approved by Board of Directors was an accumulated balance of F&WE from 2015/16 FY to the 2021/22 FY.

Minimising Conflict of Interest

A declaration of interest is completed annually by Supply Chain Management (SCM). These documents are filed by the SCM Group Executive's personal assistant in the SCM offices with copies sent to Human Resources (HR) in Head Office for record keeping.

The Business Unit (BU) that requests a deviation from the procurement process and contract amendment shall submit a declaration of interest with their request to the Bid Adjudication Committee (BAC). The declaration of the conflict of interest documents are kept at SCM Document Management.

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

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

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

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

Code of Conduct

The Social and Ethics Committee, a sub Committee of the SA Post Office Board of Directors approved the Code of Ethics Policy Framework in 2021.

The Code of Ethics Policy Framework aims to achieve the following:

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

Part of the Ethics roll out plan and strategy include developing a barometer to measure the state of Ethics in the organisation at regular intervals in order to assess the success of the Ethics interventions and how these contribute to improving the organisation and achievement of organisational goals and objectives.

Quarterly reports on all activities relating to Ethics and Ethical Conduct is presented to the Social and Ethics Committee for information and strategic oversight.

Occupational Health and Safety

INTRODUCTION

SA Post Office endeavours to comply with Health and Safety regulations. In its efforts towards enabling the organisation, and its subsidiaries, to comply, as legally prescribed and/ or required with Occupational Health and Safety requirements.

SA Post Office has established an OHS unit comprising of OHS Advisors whose role is to guide the organisation to observe minimum requirements, be aware of exposure areas and attend to such in a timely manner to ensure the safety and wellbeing of employees as well as customers. In the recent past, due to the dire financial constraints faced by the organisation, it has become challenging for the organisation to fully comply with all related regulations.

Where practical, and where funds permit, known high risk areas are prioritised for rectification. Committees are in place to reduce risks; prevent accidents; incidents and/ or injuries from occurring and/or recurring; and the necessary appointments of responsible officials for the various categories as envisaged in the Act are mostly in place.

SA Post Office employees are advised to report unsafe conditions and act in order to protect the Organisation against possible criminal, civil and vicarious liability or prosecution through proactive alerts of OHSA contraventions. Occupational health and safety training and workplace manual is developed and rolled out as a preventative measure. Employees are expected to perform their duties in accordance with this company philosophy and follow applicable procedures.

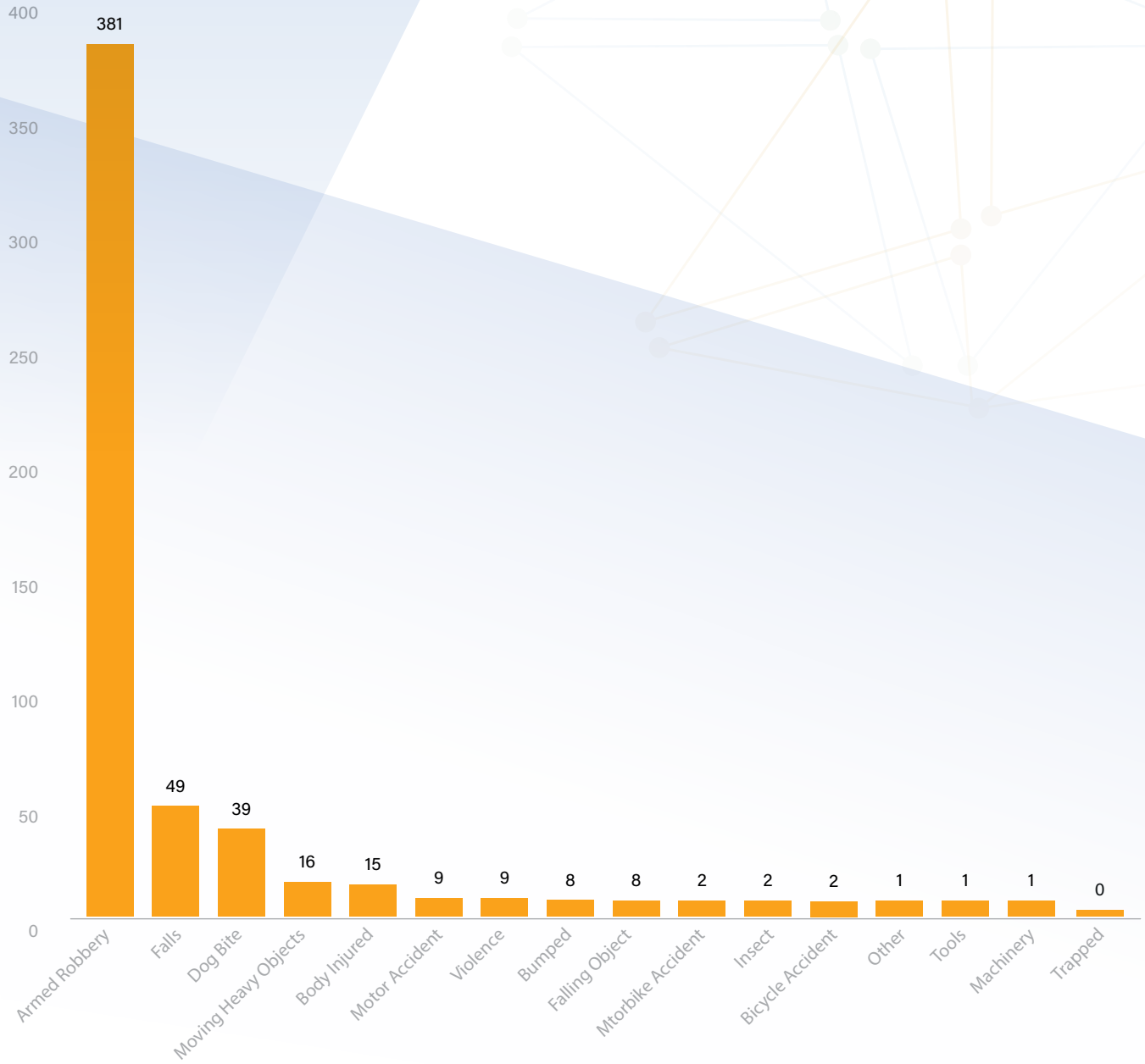
INJURY ON DUTY (IOD) INCIDENTS

A total of 543 (427 incidents during 2021) IOD incidents were reported for the period April 2021 to March 2022, an increase of 27% from the previous year. The largest contributor to the total number of incidents as well as to the increase in incidents from the previous year are those related to armed robberies which make up 70% of total incidents. Incidents arising from armed robberies rose by 46% compared to the previous year.

Armed robberies are unfortunately a substantial risk in any business where large sums of cash are handled – such as Post Offices paying out SASSA grants. The introduction of the SRD grant added to this as it meant an increase in the flow of cash in the business.

Safety and security measures are continuously assessed to curb this exposure. Additionally, trauma counselling and associated wellness programmes for affected staff is provided. Falls decreased by 47% from the previous year to make up 9% of total injuries; dog bites, traditionally the most prevalent injury, made up only 7% of total incidents. Post-incident assessments are conducted to avoid repeat occurrences. The graph below depict the injuries on duty incidents reported nationally:

Injuries On Duty



OHS Audit findings confirmed that all OHS representatives' inspections are done monthly and findings reported to management. Some of the existing high level exposure areas include:

- Inadequate and ineffective planned proactive maintenance implementation due to funding constraints
- Reactive maintenance on known exposure areas, also inadequate due to funding constraints
- Emergency evacuation - evacuation drills, evacuation routes. This will be rectified in the current year
- Fire safety - servicing equipment, sufficient equipment
- Structural defects - repair major structural damages, repair and maintenance plans
- Poor ventilation in some buildings

OHS Services encourage Management to conduct regular planned task observations and job safety analyses at their workplaces, and to perform frequent observations of employees' safety behaviours (safe/unsafe acts) and environment safe/ unsafe conditions.

This goes a long way towards eliminating preventable injuries and damage to machinery. This is evidenced by the relatively low number incidents of the injury-on-duty incidents apart from armed robberies.

Corporate Social Investment

Supporting literacy is the core of the SA Post Office's corporate social investment strategy.

Research indicates that a child that reads in its mother language understands much more, enjoys the activity much more and is more likely to achieve success as a student later in life. The SA Post Office is in a partnership with the non-governmental organisation Nal'ibali, which produces interactive reading material in the 11 official languages of South Africa and so encourages reading in mother languages.

The SA Post Office distributes reading material free of charge to schools and reading clubs all over South Africa, enabling Nal'ibali to focus on reaching more young people with reading material rather than incurring courier costs.

During the year under review, the partnership between the Post Office and Nal'ibali:

- Distributed 90,280 supplements to Post Office branches for collection
- Reached 367,308 individuals
- More than doubled the number of branches that distribute reading supplements from 516 to 1,102
- Delivered reading supplements to 1,034 reading clubs.

Employee volunteerism is also an important component of Corporate Social Investment. During the year under review, employees at branches served approximately 24,000 elderly customers tea or soup and home-made sandwiches on the days when SASSA old-age grants are paid out. These actions are taken by the employees at branches themselves. The employees, in their individual capacity, finance the soup, tea, sandwiches and disposable cups, turning this into a testimony to the quality of employees at SA Post Office branches.

Collecting Speed Services parcel

Audit Committee Report

The Audit Committee hereby presents its report for the financial year ended 31 March 2022, in accordance with their roles and responsibilities as outlined in the PFMA (Public Finance Management Act) and the Companies Act.

Members

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

In addition, the following persons are also permanent invitees to all meetings: Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Chief Audit Executive, Group Executive: Human Capital Management, Group Executive: Operations, General Manager: Risk Management, Group Executive: Supply Chain Management, Managing Director: DOCEX (The Document Exchange), External Auditors.

Meetings held by the committee

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

Responsibility

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

Specific focus areas

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

- Enhancement of reporting on performance information
- Modernisation of the information technology
- Improving the control environment, primarily through timely resolution of external and internal audit issues and closing out on critical vacancies
- Ongoing improvement 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. We have also noted the concerns regarding the ability and capacity of Internal Audit to fully discharge their responsibilities. Currently, Internal Audit requires specialised skills in some areas and financial assistance 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 SA Post Office's business environment.

Evaluation of the Financial Statements

The Committee has during the financial year 2022 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 SA 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 SA Post Office. Essentially, the Committee had to consider the level of assurances to ensure the SA Post Office can achieve the following primary control objectives:

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

It is evident from the various reports received that the control environment and the residual risk rating of the organisation to achieve the latter objectives is high. By implication, the SA Post Office Accounting Officers must ensure sufficient interventions are undertaken to ensure a control environment that is designed adequately and executed effectively in order to achieve the primary control objectives of SA Post Office.

Despite the significant resource capacity challenges, it is evident from the audit results for the 2022 financial year that progress is made to stabilise and improve the audit outcome however; the current state of the residual internal risk and control environment is not ideal and the efforts by the Accounting Officers must therefore be intensified to resolve any remaining anomalies reported. The Committee will continue to monitor the effective implementation of all audit/management issues to improve the likelihood of an improved audit outcome.

Another material impediment to the current control environment is insufficient resources (human and financial) to achieve a number of control objectives. The latter will remain a significant risk for the medium term whilst the organisation is in a transformation process. The latter issues is the priority agenda item for the Shareholder, SA Post Office Board of Directors and Executive Directors. Critical vacancies also continue to undermine the effective functioning of the system of internal control.

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 SA Post Office.

The Committee is also concerned with the loss of skills and competencies of the Committee due to resignations of members over the reporting period.

Lastly, the Committee remain concerned over the level of fraud and fraud losses due to weak system and process controls. The matter is monitored closely for action and improvement.

Speed sorting machine, Tshwane Mail

B-BBEE Compliance Information

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

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response** Yes / No	**Discussion** (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	Not Applicable
Developing and implementing a preferential procurement policy?	Yes	Updated policy in final drafting state
Determining qualification criteria for the sale of state-owned enterprises?	No	Not applicable
Developing criteria for entering into partnerships with the private sector?	Yes	Covered in the drafted policy
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	Currently no funding capability

Cancellation machine, Tshwane Mail

Part D: Human Resource Management

"Whatever you go into, you have to go in there to be the best"

Hugh Masekela

Mail being fed into the sorting machine, Tshwane Mail

Introduction

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

- The Post Office of tomorrow strategy drives the organisation's turnaround, business stability and return to financial sustainability and places focus revising the SA Post Office structures at all levels.
- Performance management assessment for managers ended on 31 March 2022. Consultation with organised labour on performance management for non-managerial employees is ongoing.
- Due to financial constraints, no annual salary increases were implemented.
- The process to ensure proper management of the Post-Retirement Medical Aid subsidy (PRMA) liability is continuing and can be regarded as work in progress.
- A Voluntary Severance Package was offered to all employees. 1820 quotations were issued. 656 employees took up the VSP offering.
- In accordance with the Leave Policy, all employees were required to take statutory leave for the previous leave cycle by 30 September 2021.
- Permanent staff numbers reduced from 15 826 (31 March 2021) to 14 460 (31 March 2022). This equates to a 9.43% staff reduction.
- The Employment Equity plan and report have been submitted to Department of Labour.
- The 2021/2022 FY Workplace Skills Plan and Annual Training Report was approved by the CEO and Organised Labour, and was submitted to the Services SETA with 7891 employees being trained.

NB: the SA Post Office Group figures for March 2022 exclude Postbank.

Employee Wellness

Employee Health and Wellness focuses on the Employee Assistance Program (EAP), disability management, occupational health and health promotion.

Employees can access professional assistance for a wide range of psychological, acute and chronic medical conditions, interpersonal work related concerns/challenges, and trauma counselling.

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

The Covid-19 affected the SA Post Office, not only financially but also through the infection of employees, long Covid-19 syndrome and, sadly, death. The regional breakdown in Covid-19 cases is indicated in the table below as at 31 March 2022.

Regional Breakdown	Confirmed Cases	Recoveries	Fatalities	Active Cases
Eastern	238	238	8	0
Central	287	287	5	1
Gauteng	852	852	28	2
KZN	408	408	12	1
North	284	284	4	1
Western	550	550	9	0
Head Office	149	149	6	0
TOTAL	**2768**	**2768**	**72**	**5**

Psychosocial consultations accounted for the highest number of EAP consultations, followed by General Enquiries and work related problems.

Psychosocial Consultations	Number
Financial (Including DMC)	18
Relationship	14
Work related	94
Psychosocial	196
Retirement counselling	34
Addiction	31
General enquiries	122
Other	39
TOTAL	**548**

Health and Disability consultations

Most consultations were for General Enquiries, followed by TTD and Ill Health.

Health & Disability Consultations	Number
Disability	48
Illness/Injuries	68
HIV/AIDS counselling	13
TTD and ill health	122
Incapacity investigations	50
Sick leave use/abuse	72
General enquiries	140
Other	53
TOTAL	**566**

Robberies

The SA Post Office experienced 122 robberies during this period. 51 Employees suffered from related post-traumatic stress disorder.

Regions	Presenting Cases	Number of sessions
Eastern Region	0	0
Central	47	47
Head Office	0	0
KZN	36	36
North Region	2	2
Western Region	30	30
Wits	7	7
TOTAL	**122**	**122**

Health & Disability

Medical Surveillance and VCCT

Gauteng Region is the only Region with an Occupational Health Nurse Practitioner. The nurses in other regions resigned more than six years ago. The Disability Manager resigned on the 31 March 2021, and TTD/IHR Assessments are done by an Occupational health nurse practitioner.

A total number of 238 medical surveillances were done.

Health Retirement

In total 14 applications were approved and 1 application was declined.

Applications	Number
Approved	14
Declined	1
Withdrawn	0
Pending	0

Temporary total Disability

A total number of 118 TTD Applications were approved for the year. A total of 22 applications were declined, 6 employees withdrew their applications and 7 applications are still pending. The Disability Manager resigned in March 2021. The Occupational Medical Practitioner's one-year contract expired on 31 November 2021. The appointment of an Occupational Medical Practitioner (Doctor) is required

Applications	Number
Approved	118
Declined	22
Withdrawn	6
Pending	7

Health Promotions

Health promotions were done in the form of health talks. KZN and Wits Regions also did health promotions, while the other regions were unable to do health promotions due to COVID-19 regulations.

Regions	Number of health Promotion events
Eastern Region	0
Central	0
Head Office	0
KZN	4
North Region	0
Western region	4
Wits	13
TOTAL	**21**

Engagement with Labour

In 2019 the stakeholders signed a two-year wage agreement for the 2019/20FY and 2020/2021FY. The implementation of the increase for 2020/21FY was not implemented fully as per the agreement due to financial constraints. This resulted in back pay being owed to employees and is still due.

During the 2021/2022 FY the SA Post Office was not in a position to offer a salary increase. The company is in continuous engagements with all stakeholders on its financial position. One of the recognised trade unions referred a dispute regarding the increases to the CCMA.

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 servic.
- The SA 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 SA Post Office's affidavit are considered as prevented from striking because they provide an essential service
- Employees identified in the order will constitute the providers of the minimum service until such time that the parties agree on a different minimum services agreement
- The process of identification of employees that will constitute the workforce for essential services is ongoing and not yet completed
- The matter was remitted to the CCMA essential services committee and the SA Post Office attended several meetings to attempt to reach consensus on the number of employees that must be declared as rendering essential services
- The company submitted the numbers required to perform essential services
- After several meetings with the Essential Services Committee, the parties made final submissions
- The company is awaiting the outcome of the determination as at end March 2022

Recruitment and Appointments

Recruitment and Selection continuous to strive to ensure that the right skills are available at the right place at the right time and that the best fit candidate is attracted and appointed.

Owing to a moratorium on the filling of vacant positions during the period, no vacant positions were filled owing to the organisation's financial challenges. However, during the period, an essential need to fill vacant executive positions was identified. The process began in the 4th quarter of the period with Supply Chain assisting in facilitating the process. Six executive search providers have been contracted to assist with the recruitment of Executives. It is expected that this process will continue and be finalised in the next financial year owing to the financial position of the organisation.

Approval was granted to advertise the Senior Executive positions for business continuity amid the moratorium. HR partnered with various search companies to proceed with the Executive positions, as these positions are critical for stabilising the company.

The strategic workforce plan initiatives in this area cannot be fully realised as Board and Ministerial approval are required and the financial situation of the company does not allow for appointments.

Critical vacancies

The following critical vacancies were identified:

Critical Vacancies	Number of vacancies	Status of applications concluded	Status
Group Exec	CFO	In process	Not filled
	CTO		
	Human Resources		
	Commercial		
	Logistics		
	Governance & Regulatory		
General Manager	Office of the CEO		
Senior Manager	HR: Wellness		
Senior Manager	Strategy		
Managers	Assistant Company Secretary x3		

Government Project and Job Creation

SASSA Project

During the period there were no new developments apart from the payment of the R350 SRD grants.

Digital Terrestrial Television (DTT)

Distribution Project

The DTT analogue switch off was systematically implemented in the following provinces:

Free State, Northern Cape, Northwest, Mpumalanga and Limpopo. Western Cape, Gauteng, Kwa Zulu-Natal and Eastern Cape. Areas in which 68% of the country's population live have not been switched off as yet.

The analogue switch off was scheduled for 31 March 2022 for the entire country. Media Monitoring Africa and the SOS Save Our Public Broadcasting group opposed the switch off in court, and the ruling was that the switch-off be extended to 30 June 2022.

Though the ruling had extended the migration by three months from 31 March to the end of June 2022, the court ruled in favour of the Department of Communications' commitment to switch off analogue television signals.

The SA Post Office transported set-top boxes from the various warehouses to the relevant four provinces for Sentech-appointed installers to proceed with the installation process and provided training where necessary.

Staff Establishment

The SA Post Office staff establishment was 16 738 on 31 March 2020, 15 826 by 31 March 2021 and 14 460 on 31 March 2022. The 9.43% staff decrease during the year under review was as a result of the voluntary severance packages and natural attrition.

During the 2021/2022 FY only two employees were appointed and 1 368 employee's contracts were terminated with no internal movements. This was as a result of death, resignations, early retirement, normal retirement and voluntary severance packages.

Employment changes

Salary band	Employment at the beginning of the period	Appointments	Terminations	Internal movements/ appointments	Employment at the end of the period
top management	22	2	6	0	18
Senior Management	172	0	21	0	151
Specialists	303	0	25	0	276
Skilled	2 633	0	352	0	2280
Semi-skilled	11 876	0	852	0	11027
Unskilled	820	0	112	0	708
TOTAL	**15 826**	**2**	**1 368**	**0**	**14 460**

Human Resources Oversight Statistics

Human Resources Initiatives

Strategic Workforce Plan

The strategic workforce plan is a dynamic, continuous work in progress is informed by various initiatives regarding the SA Post Office of tomorrow 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.

Attrition rate

At the end of March 2022 the SA Post Office had 14 459 permanent employees and one non-permanent employee. The attrition rate is at 9.43%.

Demographic Analysis

A strategic workforce plan has been developed to document and understand the gaps of the SA Post Office future talent demands in relation to the workforce and as guideline to 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 683 at an estimated cost of R127m
- The average age for the employees is 46 years which means that SA Post Office has an ageing workforce
- Employees have an average of 15 years of service

Ageing workforce and years of service

The SA Post Office has an ageing workforce which means that several 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 is to be implemented to ensure that skills are transferred from older to younger employees.

Employee Wellness assisted ageing employees 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 also becomes critical.

Employment Equity

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

The current financial position of the organisation presents challenges to reach the set targets by preventing the upskilling of current employees, recruit and employ youth and suitable candidates from the previously disadvantaged groups. The moratorium on appointments has also had an impact on the achievement of the national targets.

SA Post Office Personnel Strength as at March 2022								
Personnel Complement								
Category Personnel	African		Coloured		Indians		White	
	Male	Female	Male	Female	Male	Female	Male	Female
National EAP Target	**43,1%**	**36,2%**	**5,2%**	**4,3%**	**1,7%**	**0,9%**	**4,9%**	**3,8%**
Top Management								
Total	**7**	**5**	**2**	**0**	**1**	**0**	**5**	**0**
	35,00%	25,00%	10,00%	0,00%	5,00%	0,00%	25,00%	0,00%
Under / (Over Representation)	8,07%	11,18%	(4,84%)	4,32%	(3,33%)	0,93%	(20,10%)	3,78%
	2	**2**	**-1**	**1**	**-1**	**0**	**-1**	**1**
The figures are reflecting an over representation of the Indian,Coloured and White males. Opportunities exist for the appointment /development of African female, and Coloured females.								
Senior Management								
Total	**20**	**11**	**1**	**1**	**5**	**1**	**11**	**4**
	37,04%	20,37%	1,85%	1,85%	9,26%	1,85%	20,37%	7,41%
Under / (Over Representation)	6,03%	15,81%	3,30%	2,46%	(7,59%)	(0,92%)	(15,47%)	(3,63%)
	3	**9**	**2**	**1**	**-4**	**-0**	**-8**	**-2**
White males and females, Indian males and females should be guarded for appointment. There is an opportunity for African males and females as well as Coloured males and females. Appointments and development should be considered when the opportunity arises.								
Professional Specialist								
Total	**77**	**42**	**10**	**7**	**12**	**3**	**27**	**16**
	39,69%	21,65%	5,15%	3,61%	6,19%	1,55%	13,92%	8,25%
Under / (Over Representation)	3,38%	14,53%	0,00%	0,71%	(4,51%)	(0,62%)	(9,02%)	(4,47%)
	7	**28**	**0**	**1**	**(9)**	**(1)**	**(17)**	**(9)**
White males and females, Indian males should be guarded for appointment. There is an opportunity for African males and females as well as Coloured females. Appointments and development should be considered when the opportunity arises.								
Technical And Academical								
Total	**723**	**1 028**	**140**	**161**	**84**	**48**	**161**	**178**
	28,66%	40,75%	5,55%	6,38%	3,33%	1,90%	6,38%	7,06%
Under / (Over Representation)	14,41%	(4,56%)	(0,39%)	(2,07%)	(1,66%)	(0,97%)	(1,48%)	(3,28%)
	364	**-115**	**-10**	**-52**	**-42**	**-25**	**-37**	**-83**
Opportunities exist for the appointment /development of African males. The other groups over represented at this level.								
Semi-Skilled								
Total	**4 769**	**4 202**	**729**	**441**	**188**	**67**	**230**	**314**
	43,59%	38,41%	6,66%	4,03%	1,72%	0,61%	2,10%	2,87%
Under / (Over Representation)	(0,53%)	(2,23%)	(1,51%)	0,28%	(0,05%)	0,32%	2,80%	0,91%
	-58	**-244**	**-165**	**31**	**-5**	**35**	**306**	**100**
African male and female, Coloured and Indian male are over represented. Opportunities exist for the appointment /development of Coloured and Indian females as well as white males and females.								
Unskilled								
Total	**167**	**445**	**32**	**74**	**2**	**0**	**3**	**5**
	22,94%	61,13%	4,40%	10,16%	0,27%	0,00%	0,41%	0,69%
Under / (Over Representation)	20,13%	(24,95%)	0,76%	(5,85%)	1,40%	0,93%	4,49%	3,09%
	147	**-182**	**6**	**-43**	**10**	**7**	**33**	**23**

SA Post Office Personnel Strength as at March 2022								
Personnel Complement								
Category Personnel	African		Coloured		Indians		White	
	Male	Female	Male	Female	Male	Female	Male	Female
African and Coloured females are over represented. Opportunities exist for the appointment /development of African and Coloured males as well as Indian male/female and white male/female.								
All Permanent Employees								
Total	**5 763**	**5 733**	**914**	**684**	**292**	**119**	**437**	**517**
	39,86%	39,65%	6,32%	4,73%	2,02%	0,82%	3,02%	3,58%
Under / (Over Representation)	3,21%	(3,47%)	(1,17%)	(0,41%)	(0,35%)	0,11%	1,88%	0,20%
	464	**-502**	**-169**	**-60**	**-50**	**15**	**272**	**30**
Overall African females, Coloured male and female, Indian males and white females are over represented. Opportunities exist for the appointment / development of African males, Indian females and white males at the appropriate levels.								
Non-Permanent Employees								
Total	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	100,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Under / (Over Representation)	(56,93%)	36,18%	5,16%	4,32%	1,67%	0,93%	4,90%	3,78%
	-1	**0**	**0**	**0**	**0**	**0**	**0**	**0**
All Employees								
Total	**5 764**	**5 733**	**914**	**684**	**292**	**119**	**437**	**517**
Percentage representation	39,86%	39,65%	6,32%	4,73%	2,02%	0,82%	3,02%	3,58%
Under / (Over Representation)	3,20%	(3,47%)	(1,17%)	(0,41%)	(0,35%)	0,11%	1,88%	0,20%
	463	**-501**	**-168**	**-60**	**-50**	**15**	**272**	**30**
Data Source: The EAP targets as reflected in the 2019 QLFS 2rd Quarter ,2019, household-based sample survey conducted by Statistics South Africa (Stats SA). The EAP targets used is the National targets as a company must reflect the national traget in it's HEAD OFFICE irrespect of where it is situated.								

Talent and Succession Management

The Talent and Succession Management Policy and Procedure has been completed. Employees are placed (on request from either business or individuals) in various departments across regions, for secondment and exposure in their relevant field of study or qualifications obtained. Progress is monitored and, as no positions are currently being filled, these employees return to their respective section/s upon completion of the program (6 to 12 months).

Learning and Development

Learning and Development strives to develop human capital aligned to the strategic intent of the Organisation, as well as the requirements of its stakeholders. Various development programs were identified and delivered which was included in the workplace skills plan and annual training report and was submitted to Services SETA during 2021/2022 FY. No mandatory grants were received from SETA due to skill levies not having been paid.

Various skills development and compliance related initiatives were planned to support the business strategy. Due to the Covid 19 Pandemic, additional initiatives and a different way of training had to be implemented. Focus was thus placed on training staff in the branches by means of power half hour training sessions. The Zoom platform was also used to train and communicate with staff.

Training interventions that were delivered included:

- Awareness on HR Policies
- Communication skills
- Delivery management
- DTT training

- FAIS/FICA/Anti Money Laundering refresher training was conducted at all branches

- Protection of Personal Information Act (POPIA)
- South African Post Office of tomorrow strategy

A total number of 7 891 employees were trained.

Course Name	Central	Eastern	Head Office	KZN	North Region	Western	Wits	Grand Total
Awareness FAIS		57	2		1		96	156
Awareness/ Workshops Personal Development	17		2				28	47
Awareness: HR Policies	5		1				196	202
Communications for Employees	5		1				258	264
Communications for Supervisors							35	35
Confidentiality In The Workspace							165	165
Counter Productivity							37	37
Covid 19 Training							17	17
Customer Services 1		2						2
Delivery Management for Mail Delivery Staff							217	217
Digital Literacy (Module 1 - 5)				1				1
Digital Terrestrial Television (DTT)	2	18	1	2	45	251	42	361
Digital Terrestrial Television (DTT) Refresher	14	7	2		219	584	63	889
Digital Terrestrial Television Awareness (DTT)		77	1	60	2	6	13	159
Disciplinary Skills		7						7
Discipline And Grievances: 1-Disciplinary Procedure			2	1	19			22
Discipline and Grievances: 7-Absenteeism			2	1	19			22
DL1: Computer Basics	5				36		2	43
EAP Supervisory Training			2	1	19			22
eNaTIS: Motor Vehicle Licensing Practical Training	2			8	30		5	45
eNaTIS: Motor Vehicle Licensing System	4				8			12
eNaTIS: Motor Vehicle Licensing System Online	18			8				26
eNaTIS: Renewals (Supervisors)					5		1	6
eNaTIS: Renewals (Tellers)	8	10	2	1	19		26	66
FICA: Financial Intelligence Centre Act	145	309	1	4	410	608	35	1512
Financial Compliance							41	41
International Postal System (IPS): Dispatch Mail Items at a Registered Letter Section and Parcel	6			26	47		13	92
International Postal System (IPS): Receive Mail Items at a Registered Letter Section and Parcel	6			36	47		12	101

Course Name	Central	Eastern	Head Office	KZN	North Region	Western	Wits	Grand Total
International Postal System (IPS): Tracking a domestic item using IPS	6						9	15
International Postal System (IPS):Dispatch loose loaded items at an RLS or Parcel section to Retail	6							6
International Postal System (IPS):Reprint a manifest or bag neck label using IPS	6						9	15
International Postal System Management (IPS) Awareness					36		2	38
Mentoring and Coaching						8		8
Motorcycle Training		7		12	27	1	69	116
mySAP: Education Module - Ad Hoc Report Extract (PA30 IT0022)	2	2	1	1			1	7
mySAP: Education Module - Maintain Skills Data (PA30 IT0022)	2	1	1	1		2	1	8
OHSA: Representative's Training	7		2			22	98	129
POPI :Protection Of Personal Information Act	582	16	14	229	598	579	209	2227
Quality Circle Teams			2	10				12
Retirement Planning							10	10
Root Cause Analysis							12	12
SAP Branch Managers Guide		2					8	10
SA Post Office and SASSA Reviewed Service Level Agreement	3		1		324		4	332
SA Post Office of tomorrow Strategy Awareness	28		1		289	3	32	353
SASSA: Awareness (Module 1)					23			23
Teller Training (OTJ)							1	1
Grand Total	879	515	41	402	2223	2064	1767	7891

Staff verification project

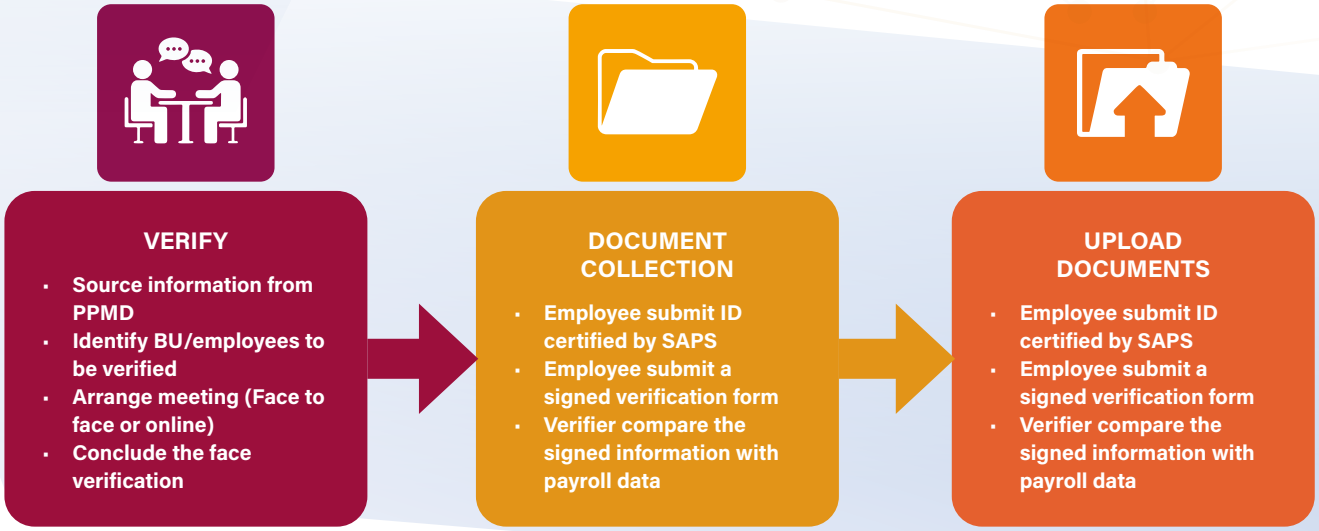
The main purpose of the staff verification project was to support the HR process and key performance area of continuous staff reconciliation and payroll management.

Organised Labour raised concerns of ghost employees and requested the auditing of all staff. Consequently the CEO gave a directive to HR to start the project. HR was mandated to start up the project internally using the HR personnel.

Committees and monitoring team were established in each region, including Head Office, and the CEO approved the protocol and process to be followed for the project.

Payroll Personnel Master Data (PPMD) is a document that contains all employed employees that are paid from the SA Post Office payroll. Each responsible Senior Manager was issued with the PPMD for the relevant region as a source document for the process. All employees were verified against the PPMD by verifiers appointed by the relevant Senior Manager.

The process that was followed:



Employee Relations

Due to the SA Post Office's inability to comply with legislative requirements such as statutory payments, lack of payment of salary increases, OSHA compliance and general tools of the trade, the relationship is currently under strain.

Engagement Process

During 2019, stakeholders signed a two-year wage agreement for 2019/20 FY and 2020/2021 FY. As part of the agreement, parties agreed to appoint Permanent Part-Time Employees (PPTE's) 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 FY. The 20% has been converted in the 2020/21 FY.

The implementation of the increase for 2020/21 FY was not done as per agreement and was only implemented in January 2021 and March 2021 respectively. This resulted in back pay being owed to employees and which is still due.

The rest of the agreement has been implemented with the exception of the Risk Evaluation and Mitigation Strategy (REMS), which is receiving attention.

The SA Post Office engages regularly with organised labour on several platforms.

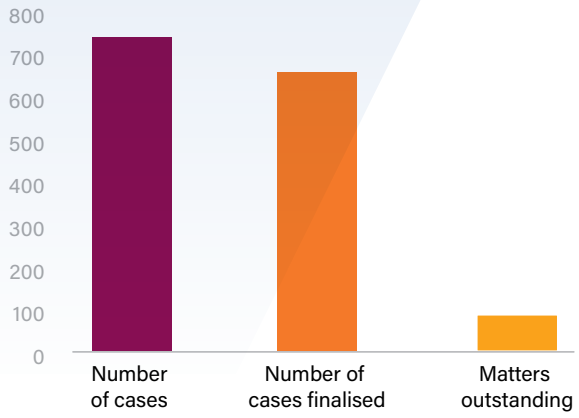
Case Management

Management of labour related cases has been relatively stable and was consistently applied. The most common types of misconduct are:

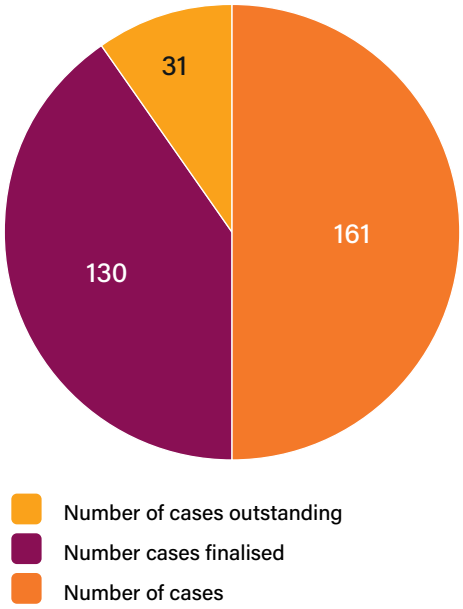
- Absenteeism
- Fraud
- Gross Negligence; and
- Failure to notify the company of absence

Progressive discipline as guided by employment legislation is applied and the sanctions handed down are commensurate with the seriousness of the misconduct.

Misconduct Cases



Grievances



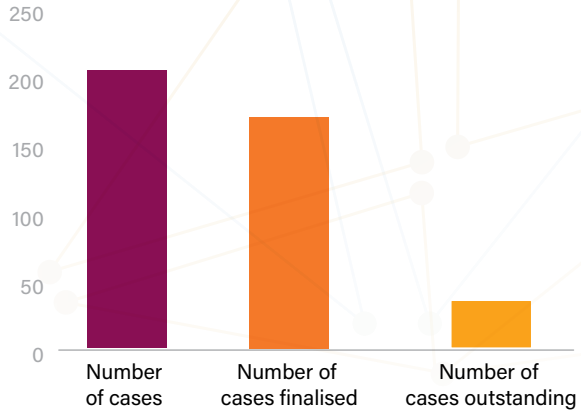
80.7% of all grievances were finalised.

The nature of the grievances related to:

- Abuse of power
- Deformation/ False accusations
- Divulged information
- Exploitation
- Favouritism
- Fraudulent deductions
- Harassment/Intimidation
- Insults/vulgar language
- Poor management
- Unfair labour practice
- Unlawful instructions

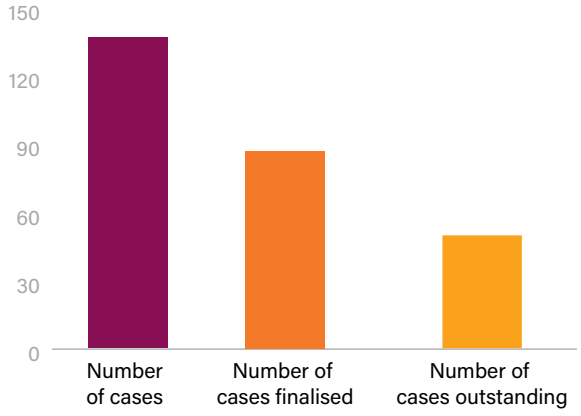
Most grievances were received for unfair labour practice and victimisation.

Suspensions



83.2% of cases have been addressed. The total number of suspensions recorded for the year was 203.

CCMA Cases

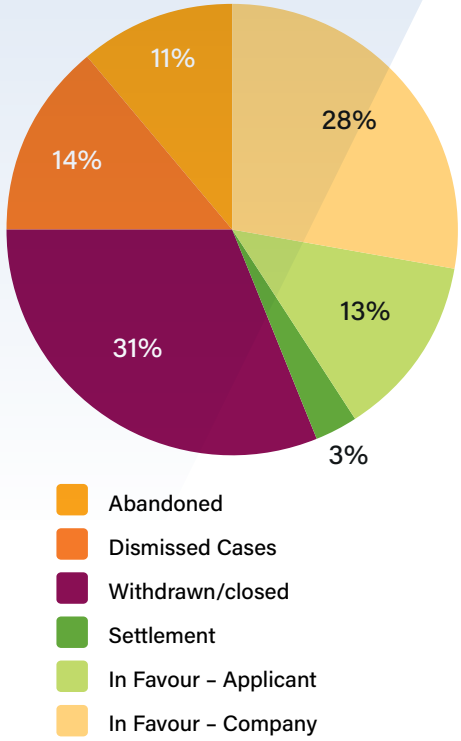


A total number of 137 cases were recorded. A total of 50 cases are pending conclusion and 87 cases were finalised at the CCMA. Resulting in 63.5% CCMA cases being finalised.

The nature of disputes relates to:

- Severance packages
- Unfair dismissal
- Unfair conduct
- Failure to pay a claim
- Unfair suspension/disciplinary enquiry
- Failure to reinstate
- Dismissal related to incapacity
- Non-renewal of contract
- Organisational rights
- Salary shortage

CCMA Finalised Outcomes 2021-22



Cases settled and reasons:

- In one case it was found to be an unfair dismissal
- One case reflected Unfair conduct related to acting allowance paid
- One case refers to 191(1) [191(5)(a)] - Dismissal related to misconduct

Incapacity

Three cases were reported. Two cases were finalised and one case is pending.

Conclusion

The purpose of the Human Resources strategy is to ensure that SA Post Office has a capable, competent and agile performing workforce to assist with the implementation and realisation of the Post Office of tomorrow strategy.

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

In Memoriam 2021–2022

We extend our heartfelt condolences to the families, friends and colleagues who lost their lives during the past year. Your valued service to SA Post Office is deeply appreciated.

Central Region

Ramolekane John Tshabadira, Mail Processor, Service Period: 2012/09/01 to 2022/03/17

Vuyelwa Adelina Sholoko, Teller, Service Period: 2013/02/04 to 2022/02/19

Seitiso Mirriam Lebotse, Administrative Officer, Service Period: 1992/04/22 to 2021/12/28

Abednego Morobane, Postman, Service Period: 2012/09/01 to 2021/12/19

Seitebogeng Hilda Montshonyane, Teller, Service Period: 1991/05/21 to 2021/12/07

Mbulanheni Joseph Mamuliki, Area Controller, Service Period: 1996/05/01 to 2021/08/03

Thabisile Alinah Radebe, Postal Assistant, Service Period: 2013/09/01 to 2021/07/05

Diketso Benjamin Rulufu, Transport Assistant, Service Period: 2007/06/01 to 2021/06/26

Boitumelo Lesejane, Teller, Service Period: 2012/09/01 to 2021/06/23

Mapule Ellen Shibane, Teller, Service Period: 2012/09/01 to 2021/06/12

Johannes Rabaji Seate, Postman, Service Period: 2012/09/01 to 2021/05/22

Peter Melamu Malotle, Driver, Service Period: 1998/10/21 to 2021/05/15

Mothoemang Maria Ntetha, Postal Assistant, Service Period: 2013/08/01 to 2021/05/09

Jacobus Casparus Venter, Branch Manager, Service Period: 1987/12/01 to 2021/04/19

Philistus Mmule Nkgabutle, Teller, Service Period: 2006/12/01 to 2021/04/09

Kgosipheko Tys Mahure, Postman, Service Period: 2012/09/01 to 2021/04/05

Bukelwa Gqoboka, Branch Manager, Service Period: 2012/12/27 to 2022/03/29

Zola Theo Vena, Postman, Service Period: 2012/09/01 to 2022/03/10

Bulelwa Tutu Shirley Xoxani, Teller, Service Period: 1989/08/07 to 2022/01/16

Silyebi Mpalala, Data Controller, Service Period: 1988/10/18 to 2021/12/17

Waldemar Jonck, Fleet Admin, Service Period: 2001/03/01 to 2021/12/16

Frans Jonkers, Postman, Service Period: 2012/09/01 to 2021/11/10

torie Jordaan, Mail Processor, Service Period: 1992/04/27 to 2021/10/14

Henry Frederick Stevens, Loader/Sorter, Service Period: 2001/03/01 to 2021/09/21

Margaret Misiwe Yawa, Postal Assistant, Service Period: 2013/01/25 to 2021/09/20

Noziphiwo Queenie Magxaki, Teller, Service Period: 2012/09/01 to 2021/09/11

Virginia Matyityi, Process Supervisor, Service Period: 1997/04/01 to 2021/09/08

Busisa Kula, Teller, Service Period: 2010/10/01 to 2021/09/05

Orchid Ermine Oates, Teller, Service Period: 1990/10/08 to 2021/08/29

Nandipha Ndalasi, Teller, Service Period: 2012/08/01 to 2021/08/10

Nolinda Fani, Teller, Service Period: 2019/02/01 to 2021/07/15

Eastern Region

Thamsanqa Martin Vani, Postman, Service Period: 1988/12/01 to 2021/07/13

Thozamile Boy-Boy Pongolo, Postal Assistant, Service Period: 1995/11/02 to 2021/06/12

Gauteng Region

Noah Temane, Postman, Service Period: 1994/02/01 to 2022/02/23

Bheki Wilson Msibi, Mail Processor, Service Period: 1998/11/01 to 2022/02/21

Aluwani Debbie Netshimbolimbo, Operations Officer, Service Period: 2012/09/01 to 2022/02/08

Nkosamabele Tshangela, Driver Assistant, Service Period: 2002/06/01 to 2022/01/29

Johanna Motuba, Mail Processor, Service Period: 2014/05/14 to 2022/01/27

Sephaphi Jackson Lediga, Postman, Service Period: 1984/01/03 to 2022/01/26

Wellington Leeuw, Postman, Service Period: 1996/08/01 to 2022/01/14

Nomusa Gladys Mtonga, Branch Manager, Service Period: 1999/04/01 to 2022/01/13

David Oupa Motupa, Mail Processor, Service Period: 2012/09/01 to 2022/01/04

Nandipa Tracey Nuse, Mail Processor, Service Period: 2013/09/03 to 2021/12/31

Donny Masemola, Postman, Service Period: 2012/09/01 to 2021/12/27

Anna Francina Jacoba Zorgman, Branch Manager, Service Period: 1989/01/03 to 2021/12/23

Jacob Geelbooi Kabini, Postal Assistant, Service Period: 1989/08/03 to 2021/12/23

Mashego Philemon Mohlala, Postman, Service Period: 1996/07/01 to 2021/12/23

Jabulane Gabriel Hlongwane, Branch Manager, Service Period: 1995/12/04 to 2021/12/21

Vusumuzi Thomas Tshabalala, Postman, Service Period: 2012/09/01 to 2021/12/13

Sello Petrus Mashigo, Postman, Service Period: 2012/04/04 to 2021/12/01

Darius Lebepe, Postman, Service Period: 2012/04/04 to 2021/11/26

Thabo Kakudi, Mail Processor, Service Period: 2012/09/01 to 2021/11/07

Kagiso Tshetlanyane, Postman, Service Period: 2012/04/04 to 2021/10/28

Thandi Adelaide Dineka, Mail Processor, Service Period: 2012/05/23 to 2021/10/26

Xoliswa Rolinyati, Teller, Service Period: 1996/08/01 to 2021/10/19

Nomadlozi Esther Mtimkulu, Mail Processor, Service Period: 2013/09/03 to 2021/10/11

Sifiso Richard Kunene, Postman, Service Period: 2012/09/01 to 2021/09/27

Nelisiwe Theophilus Lusithi, Postman, Service Period: 2012/04/04 to 2021/09/13

Mfanuvele Phanuel Sibisi, Driver, Service Period: 1987/08/04 to 2021/09/10

Monyai Esiah Motsapi, Teller, Service Period: 2014/09/01 to 2021/09/09

Montshiwa Godfrey Molepo, Branch Manager, Service Period: 1998/11/01 to 2021/08/18

Mmatjatji Daphney Mashiloane, Mail Processor, Service Period: 2012/09/01 to 2021/08/16

Mthusendlini Levar Gumede, Mail Processor, Service Period: 1983/03/02 to 2021/08/13

Noluthando Alicia Dyariwe, Teller, Service Period: 2012/12/03 to 2021/08/13

Ntombikayise Radebe, Mail Processor, Service Period: 2014/05/14 to 2021/08/07

Helen Noziphelo Mbuqe, Teller, Service Period: 1998/08/03 to 2021/07/29

Barbara Nomsa Ngcomba, Branch Manager, Service Period: 1997/09/01 to 2021/07/29

In Memoriam 2021–2022

Johanna Yekelile Mashinini, Quality Officer, Service Period: 1996/04/01 to 2021/07/25

Mtholeni Bongani Mhlongo, Assistant Quality Controller, Service Period: 2014/05/14 to 2021/07/20

Sontaga Meshack Matlou, Postman, Service Period: 2012/09/01 to 2021/07/19

Mbongeni Sakhile Mnomiya, Mail Processor, Service Period: 2014/05/15 to 2021/07/17

Sarel Johannes Robbertse, Mail Processor, Service Period: 1987/09/14 to 2021/07/16

Jocenter Matsiliso Tsotetsi, Postal Assistant, Service Period: 1994/09/20 to 2021/07/15

Christoffel Geyer, Teller, Service Period: 1986/01/02 to 2021/07/12

Solly Sithole, Mail Processor, Service Period: 2014/05/15 to 2021/07/11

Johannes Jurgens Francois Holtz, Postman, Service Period: 1989/01/24 to 2021/07/08

Elias Makakatlele Matlala, Revenue Protection Officer, Service Period: 1998/11/01 to 2021/07/08

Elias Lenzi Bam, Postman, Service Period: 2012/04/04 to 2021/07/05

Mogomotsi Kenneth Sekgaile, Postman, Service Period: 1999/07/26 to 2021/07/05

Richard Jan Jiyana, Driver, Service Period: 2012/09/01 to 2021/06/22

Phutiane Elia Letsoalo, Postman, Service Period: 2012/09/01 to 2021/06/19

Petrus Ngwanamodzena, Mail Processor, Service Period: 2014/05/14 to 2021/06/17

Keakokile Keakohile, Mail Processor, Service Period: 1998/11/01 to 2021/06/09

Maxwell Mashigo, Postman, Service Period: 1996/07/01 to 2021/05/20

Rathipe Peter Bokaba, Container Driver, Service Period: 2001/03/01 to 2021/05/16

Simon Mvunyelwe Mahlangu, Transport Assistant, Service Period: 2012/09/01 to 2021/04/13

Head Office

Amos Ngwenya, Manager, Service Period: 1996/08/28 to, 2021/07/14

Daylan Naidoo, Manager, Service Period: 1995/01/01 to, 2021/07/01

KwaZulu Region

Nontandazo Mzobe, Mail Processor, Service Period: 2012/09/01 to 2022/02/28

Martin John Balladon, Teller, Service Period: 1984/02/01 to 2022/01/07

Thelani Bafana Khuzwayo, Transport Assistant, Service Period: 1982/08/25 to 2021/11/07

Rabia Krishna, Chief Administrative Officer, Service Period: 1995/03/01 to 2021/09/21

Patrick Dumisani Khusi, Postal Assistant, Service Period: 2012/09/01 to 2021/09/06

Jabulisile Mthembu, Branch Manager, Service Period: 2000/02/28 to 2021/08/31

Sanele Innocent Jila, Postman, Service Period: 2012/09/01 to 2021/08/26

Fredeck Sibusiso Gumede, Postman, Service Period: 2012/09/01 to 2021/06/19

Shadrack Thulane Zondi, Branch Manager, Service Period: 1989/01/03 to 2021/05/30

Prettygirl Ncambile Masondo, Branch Manager, Service Period: 2008/09/01 to 2021/04/17

North Region

Livhuwani Calvin Nethononda, Postman, Service Period: 2012/09/01 to 2022/02/18

Sejeng Ernestina Rammala, Postman, Service Period: 2012/09/01 to 2021/12/24

Malesela Peter Ledwaba, Loader/Sorter, Service Period: 2002/06/01 to 2021/10/06

Eidleen Mapimele Mashamba, Teller, Service Period: 2006/09/01 to 2021/10/06

Kabelo Ruth Ramokolo, Postman, Service Period: 2012/09/01 to 2021/09/29

Renette Gower, Secretary, Service Period: 2011/07/11 to 2021/08/22

Elizabeth Mahlatse Sebe, Branch Manager, Service Period: 2008/08/01 to 2021/08/18

Honours Nkuna, Investigation Officer, Service Period: 2013/01/01 to 2021/08/14

Masingita Mabunda, Teller, Service Period: 2018/05/28 to 2021/08/05

Refilwe Prisca Nqambayi, Postal Assistant, Service Period: 2013/06/01 to 2021/07/20

Letty Thandi Mnguni, Branch Manager, Service Period: 1995/06/01 to 2021/07/16

Maria Lahliwe Nkoana, Mail Processor, Service Period: 2005/11/01 to 2021/07/14

Mmakoba Melida Mojapelo, Teller, Service Period: 2012/07/01 to 2021/07/04

Nditsheni Nancy Mphaphuli, Postman, Service Period: 2012/09/01 to 2021/07/01

Maria Jabulile Malomane, Teller, Service Period: 2007/09/01 to 2021/05/29

Mamahlako Emily Machacha, Postman, Service Period: 2012/09/01 to 2021/05/21

Maggie Kgetlepu Kuto, Postman, Service Period: 2012/09/01 to 2021/04/12

Northern Region

Alfred Fiki Skosana, Operational Internal Auditor, Service Period: 1990/12/10 to 2021/09/2

Western Cape

Christopher Isaac Regue, Mail Processor, Service Period: 2012/09/24 to 2021/08/28

Izak Barend Du Plessis, Mail Processor, Service Period: 1983/01/17 to 2021/06/17

Western Region

Ockert Andries Swanepoel, Postal Assistant, Service Period: 1995/01/01 to 2022/03/04

Xolile Ncayiyana, Postman, Service Period: 2012/09/25 to 2022/01/06

Serefa Elizabeth Viljoen, Postal Assistant, Service Period: 2013/11/01 to 2021/10/23

Piet Andries Harmse, Transport Assistant, Service Period: 1988/06/20 to 2021/09/20

Jeanetta Andrews, Transport Assistant, Service Period: 2012/09/25 to 2021/09/10

Fundiswa Tuis, Branch Manager, Service Period: 2012/04/01 to 2021/08/02

Elfrieda Bothma, Chief Administrative Officer, Service Period: 1989/01/03 to 2021/07/22

Angelo Sinclair Bonze, Mail Processor, Service Period: 1993/08/02 to 2021/07/17

Velile Donald Zonyane, Container Driver, Service Period: 2001/01/01 to 2021/04/26

Cornelia Pule, Postman, Service Period: 2012/09/01 to 2021/04/16

Joseph Conradie, Postman, Service Period: 2012/09/25 to 2021/04/16

Thuso Arnold Ramakatsa, Postman, Service Period: 2012/09/01 to 2021/04/09

Witwaters-rand

Erika Sophia Ehlers, Account Manager, Service Period: 1986/01/02 to 2021/07/29

Part E: Financial Information

"Learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning"

Albert Luthuli

Report of the Auditor-General to Parliament on South African Post Office SOC Limited

Report on the audit of the consolidated and separate financial statements

Disclaimer of opinion

1. I was engaged to audit the consolidated and separate financial statements of the South African Post Office (SOC) Limited and its subsidiaries set out on pages 107 to 230, which comprise the consolidated and separate statement of financial position as at 31 March 2022, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies

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

Basis for disclaimer of opinion

Going concern

3. As indicated in the consolidated and separate financial statements, the group and company incurred losses of R2 181 243 000 and R2 193 971 000, respectively, for the year ended 31 March 2022. Furthermore, at that date, total liabilities exceeded total assets by R4 081 666 000 and R4 098 659 000 while current liabilities exceeded their current assets by R6 513 340 000 and R6 505 305 000 for the group and company, respectively. The group and company was further unable to pay their debts as and when they were due. The group and the company were commercially and technically insolvent.

4. Note 49 further indicates multiple factors that impact on the assessment of the group and the company's ability to continue as a going concern. However, the group and the company did not adequately disclose in note 49 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 as required by IAS 1, *Presentation of financial statements*.

5. Additionally, supporting information, including a cash flow forecast, together with management assumptions to support the appropriateness of the financial statements being prepared using the going concern basis of accounting, have not been provided. Therefore, I was unable to obtain sufficient appropriate audit evidence to confirm the reasonableness of the cash flow forecast and the related assumptions, conditions and events to support management's assessment of the group and company's viability in the foreseeable future. I was unable to confirm the going concern assessment by alternative means. 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.

Right-of-use assets and lease liability

6. The group did not account for the right-of-use assets and lease liability in accordance with IFRS 16, *leases*, as contractual amounts were used in the valuation instead of the actual payments. In addition, the escalation rate to the lease amount was not taken into account. Consequently, right-of use assets and lease liabilities were understated by R195 233 773 (2021: R228 847 027) and R132 829 223 (2021: R190 774 279), respectively in note 4 to the consolidated and separate financial statements. Additionally, there was an impact on the accumulated depreciation and on the finance cost in the consolidated and separate financial statements.

Funds collected on behalf of third parties

7. I was unable to obtain sufficient appropriate audit evidence that funds collected on behalf of third parties had been properly accounted for due to the inadequate status of accounting records. I was unable to confirm the funds collected on behalf of third parties by alternative means. Consequently, I was unable to determine whether any adjustment were necessary to funds collected on behalf of third parties stated at R467 893 000 (2021: R376 924 000) in note 27, to the consolidated and separate financial statements.

Report of the Auditor-General to Parliament on South African Post Office SOC Limited

Trade and other receivables

8. I was unable to obtain sufficient appropriate audit evidence for uncleared control accounts and other receivables included in trade and other receivables due to a lack of proper record keeping and reconciliation of control accounts by the group. I was unable to confirm these uncleared control accounts and other receivables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to uncleared control accounts and other receivables stated at R1 478 151 000 (2021: R1 164 390 000) and R1 477 936 000 (2021: R1 164 162 000) in note 14, to the consolidated and separate financial statements respectively.

Trade and other payables

9. I was unable to obtain sufficient appropriate audit evidence that the postbank payable - daily settlement had been properly accounted for due to the status of accounting records. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to postbank payables- daily settlement stated at R1 992 606 000 (2021: R2 996 687 000) in note 23 to the consolidated and separate financial statements.

10. I was unable to obtain sufficient appropriate audit evidence for trade payables and due to the poor status of the accounting records. I could not confirm the trade and other payables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to trade payables from exchange transaction stated at R1 304 432 000 (2021: R799 153 000) and R1 263 150 000 (2021: R758 250 000) in note 23 to the consolidated and separate financial statements respectively.

Non-current assets held for sale

11. The group did not recognise properties as a non-current asset held for sale in the consolidated and separate financial statements even though these properties met the requirements of IFRS 5, *non-current assets held for sale and discontinued operations*. Consequently, non-current assets held for sale are understated. I was unable to determine the full extent of the understatement in note 17 as it was impracticable to do so.

Financial service revenue

12. I was unable to obtain sufficient appropriate audit evidence that financial services revenue had been properly accounted for, due to the failure of the related information systems which support the financial reporting. I was unable to confirm financial service revenue by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to financial service revenue stated at R1 256 295 000 (2021: R1 417 961 000) in note 29 to the consolidated and separate financial statements.

Other operating expenses

13. During 2021, I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for other operating expenses, due to the status of the accounting records and to confirm the expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of other operating expenses stated at R1 979 290 000 and R1 972 420 000. My audit opinion on the financial statements for the period ended 31 Marc.h 2021 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the other operating expenditure for the current period.

Accumulated loss

14. The entity did not account for accumulated loss in accordance with IAS 1, *presentation of financial statements*, due to unsupported adjustments processed to the accumulated loss. As the entity did not maintain adequate records of the adjustments of the accumulated loss, I was not able to determine the full extent of the errors in the accumulated loss as it was impracticable to do so.

Report of the Auditor-General to Parliament on South African Post Office SOC Limited

Cash and cash equivalents

15. The group did not present other cash and cash equivalents accordance with IAS 1, *presentation of financial statements*, as cash-in-transit was incorrectly accounted for as cash and cash equivalents. In addition, the group incorrectly classified other cash and cash equivalents as other receivables. Consequently, other cash and cash equivalents was understated by R76 497 300 and other receivables was overstated by R76 497 300 in note 16, to the consolidated and separate financial statements.

Related parties

16. The group did not recognise related party transactions and balances at the correct amount in accordance with IAS 24, *related party disclosures*. The amounts disclosed did not agree to the supporting schedules. As a result, the related party transactions and balances disclosed in note 41 to the consolidated and separate financial statement were understated by R761 620 215.

Comparative figures and prior period errors

17. The group did not disclose comparative figures and prior period errors in accordance with IAS 8, *accounting policies, changes in accounting estimates and errors*. This was due to unsupported adjustments processed to the comparative figures and prior period errors. I was not able to determine the full extent of the errors in the comparative figures and prior period errors as it was impracticable to do so.

Fruitless and wasteful expenditure

18. I was unable to obtain sufficient appropriate audit evidence relating to the write off of fruitless and wasteful expenditure as approved policies and procedures were not in place. In addition, I was unable to confirm that the group followed appropriate investigation and recovery processes as required by the relavant framework due to non-submission of information to support the write-off. I was unable to confirm the fruitless and wasteful expenditure written-off by alternative means. Consequently, I was unable to determine whether any further adjustment were necessary to the fruitless and wasteful expenditure disclosure, stated at R131 553 000 and R125 327 000 in note 50 to the consolidated and separate financial statements.

Emphasis of matters

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

Loan to group companies

20. As disclosed in note 9 to the financial statements, material impairment of R703 996 000 were incurred as a result of the impairment of the loan to the Courier and Freight Group (Pty) Ltd.

Material losses due to criminal conduct

21. As disclosed in note 52 to the financial statements, material losses due to criminal conduct were incurred as a result of fraud and theft.

Other financial assets

22. As disclosed in note 10 to the financial statements, an amount of R861 000 000 of growth funds were withdrawn from the PRMA investment, in order to finance a portion of the company's current obligations.

Contingent liabilities

23. With reference to note 48 to the consolidated and separate financial statements, the SAPO group is a defendant in number of lawsuits. The ultimate outcome of the matters cannot presently be determined and the uncertain part of the litigation claim has been disclosed in the consolidated and separate financial statements

Responsibilities of the accounting

Report of the Auditor-General to Parliament on South African Post Office SOC Limited

authority for the financial statements

24. 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 the International Financial Reporting Standards (IFRS) and the requirements of the requirements of the Public Finance Management Act 1 of 1999 (PFMA), the Companies Act of South Africa 71 of 2008 (Companies Act), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

25. 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

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

27. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code), as well as the other ethical requirements that relevant to my audit of the consolidated and separate financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

Introduction and scope

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

29. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the public entity's annual performance report for the year ended 31 March 2022:

Objectives	Pages in annual performance report
Strategic Objective 4 – Efficient systems and processes	29

30. 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.

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

Report of the Auditor-General to Parliament on South African Post Office SOC Limited

Strategic Objective 4 – Efficient systems and processes

Key performance indicator 4.1 - Achieve the regulated Mail Delivery standard

32. The method of calculation for achieving the planned indicator was not clearly defined as the required level of performance did not cover the financial year.

Key performance indicator 4.2 - Maintain system availability uptime at online Post Office branches

33. I was unable to obtain sufficient appropriate audit evidence for the achievement of 97.82% reported against target 98, 00% in the annual performance report, and due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Key performance indicator 4.3 - Rollout of IPS equipment

34. I was unable to obtain sufficient appropriate audit evidence for the achievement of 50% reported against target 100% in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Report on the audit of compliance with legislation

Introduction and scope

35. 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.

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

Annual financial statements, performance and annual report

37. 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.

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

Strategic planning and performance management

39. The corporate plan submitted to the director-general of the Department of Communications and Digital Technologies 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 Courier and Freight Group (Pty) Ltd
- The Document Exchange (Pty) Ltd
- 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

Expenditure management

40. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R611 708 000 as disclosed in note 51 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The entity went and procured services relating to Dignity services which are part of the SAPO requirements during the SASSA grant payments.

41. Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for disclaimer of opinion the value of R242 637 000 disclosed in note 50 of the financial statements does not reflect the full extent of the fruitless and wasteful expenditure incurred.

Report of the Auditor-General to Parliament on South African Post Office SOC Limited

Consequence Management

42. 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 because investigations into irregular expenditure were not performed.

43. '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 because investigations into fruitless and wasteful expenditure were not performed.

44. I was unable to obtain sufficient appropriate audit evidence that allegations of fraud at the retails which exceeded R100 000 were reported to the SAPS, as required by section 34(1) of the PRECCA.

Procurement and contract management

45. Some of the goods and services 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. This non-compliance was identified in the procurement processes for the splitting on appointment of service providers rendering dignity services during the SASSA grant pay-outs.

Internal control deficiencies

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

47. The accounting authority did not exercise adequate oversight on the financial statements and the annual performance report before submitting them for audit. We identified material misstatements to the financial statements and annual performance report submitted for audit. This is due to lack of a balance skills set and capacity on the part of the leadership in ensuring that financial statements submitted for audit were in compliance with all the relevant standards of International Financial Reporting Standards (IFRS) and a performance management system was in place to ensure reported performance information is supported by accurate, complete and valid evidence as per the requirements of the FMPPI.

48. Management made significant use of clearing accounts that are not regularly reviewed and reconciled. Where supporting listings were made available, management had not always acted to ensure that long-outstanding items were reconciled and cleared. The use of manual reconciliations coupled with a lack of assurance processes not implemented in time to ensure that information was accurate and complete, resulted in a number of limitations and errors being experienced and identified.

49. The public entity did not have a proper record management system to maintain information and support the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information. This extended to supply chain management where there was no proper record keeping due to improper hand over processes being conducted when staff resigns. There remains a lack of accountability in terms of record keeping throughout these divisions.

50. As the majority of financial management controls are automated and monitoring takes place mostly on reports generated by the IT systems, good IT controls and skills are fundamental to enabling robust financial and performance management, including in-year monitoring. However, the design and implementation of formal controls over information technology systems were not adequate to ensure the reliability, accuracy and availability of the data processed in these systems, resulting in weak IT controls. The weak IT control environment was due to the use of legacy IT infrastructure. This was exacerbated by budget constraint, corporate wide moratorium on recruitment and procurement as well as inadequate planning and investment in IT infrastructure.

Report of the Auditor-General to Parliament on South African Post Office SOC Limited

51. Leadership did not act on a timely basis on the internal audit units recommendations or reports, thus negatively affecting its effectiveness as an assurance provider to the leadership of the entity. Timeframes in place for the preparation and internal review of the financial statements are not adequate as no reviews were performed on the draft financial statements by the internal audit unit due to time constraints.

52. The matters above, as they relate to the basis for the disclaimer of opinion, findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor's report as follows:

53. The entity experienced instability in leadership as a result of a number of suspensions and resignations in key leadership positions. Instability in leadership has contributed to the overall decline in the internal control environment.

Material irregularities

In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Material irregularities in progress

54. I identified material irregularities during the audit and notified the accounting authority, 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. This material irregularity will be included in the next year's auditor's report.

Status of previously reported material irregularities

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

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

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

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

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

59. Progress report received from DPCI dated 14 July 2022 indicated that SAPO terminated the contract of a service provider (card manufacturer and supplier) and further reported them to National Treasury as an unfit and dishonest service providers.

60. The DPCI status report also indicated that SAPO and Post Bank covered the losses incurred due to the Fraud or Theft in relation to the SASSA Bank cards that was suffered by SASSA and or SASSA beneficiaries.

Auditor-General

Pretoria ▪ 31 July 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Director's Responsibility and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the separate and consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the separate and consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The separate and consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

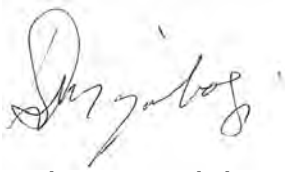
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for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

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the separate and consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The separate and consolidated annual financial statements set out on pages 107 to 230, which have been prepared on the going concern basis, were approved by the directors on 29 July 2022 and were signed on their behalf by:

Approval of financial statements

Chief Executive Officer
Nomkhita Mona
29 July 2022



Acting Deputy Chairperson of the Board
SLM Majombozi
29 July 2022

Directors' Report

The directors have pleasure in submitting their report on the separate and consolidated annual financial statements of the South African Post Office (SOC) Limited and its subsidiaries for the year ended 31 March 2022.

1. Incorporation

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

2. Ultimate holding entity

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

3. Nature of business

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

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

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

The business of the Group is conducted through its operations 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.

Directors' Report

4. Directorate

Directors	Office	Designation	Changes
Ms NP Mona	Group Chief Executive Officer	Executive	**Appointed** Thursday, 01 April 2021
Mr L Govender	Acting Group Chief Financial Officer	Executive	**Appointed** Friday, 01 January 2021
Ms Z Ntsikeni	Acting Group Operations Officer	Executive	**Appointed** Thursday, 01 April 2021 **Resigned** Friday, 31 December 2021
Mr SLM Majombozi	Acting Deputy Chairperson	Non-executive	**Appointed** Wednesday, 02 September 2020
Ms NP Ngonyama	Other	Non-executive	**Appointed** Friday, 25 October 2019
Mr ET Lekgau	Other	Non-executive	**Appointed** Thursday, 01 September 2020 **Resigned** Monday, 14 February 2022
Mr ST Nkese	Other	Non-executive	**Appointed** Friday, 25 October 2019
Ms S Phillip	Other	Non-executive	**Appointed** Friday, 04 September 2020 **Resigned** Sunday, 08 August 2021
Ms CM van der Sandt	Acting Chairperson	Non-executive	**Appointed** Friday, 07 August 2020 **Resigned** Wednesday, 05 January 2022
Mr TJ Ntetho	Other	Non-executive	**Appointed** Tuesday, 01 June 2021
Ms YLM Manzini	Other	Non-executive	**Appointed** Thursday, 03 September 2020
Ms N Pietersen	Other	Non-executive	**Appointed** Tuesday, 01 September 2020 **Resigned** Thursday, 27 January 2022
Ms MH Martin	Stamp Advisory Member	Other	**Appointed** Sunday, 01 February 2009 **Deceased** Sunday, 22 May 2022
Mr DJ Wigston	Stamp Advisory Member	Other	**Appointed** Saturday, 01 March 2008
Prof G Younge	Stamp Advisory Member	Other	**Appointed** Saturday, 01 March 2008

Directors' Report

5. 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.

6. Certification by Company Secretary

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

Mr Dawood Dada
Group Company Secretary (ACIS)
South African Post Office SOC Limited
Cnr Sophie de Bruyn and Jeff Masemola Streets
Landline: (012) 407 7741
Cell: 0814475810

7. 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.

8. Review of financial results and activities

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

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

The operating environment remained challenging for the SA Post Office during the current financial year.

The group recorded a net loss after tax for the year ended 31 March 2022 of R(2 181) million (2021: R(2 352) million) and a negative net asset value of R (4 082) million (2021: R(2 037) million)

Group revenue increased by 0.22% from R 3 026 million in the prior year to R 3 033 million for the year ended 31 March 2022. 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 56% of total company revenues.

9. 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 2022 the group's investment property and plant and equipment and investment property amounted to R2 658 million (2021: R2 615 million), of which R10.5 million (2021: R15.7 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 R44 million (2021: R49 million). Refer to note 47 for details.

10. 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 31 March 2022 (2021: R0).

11. Monitoring of fruitless, wasteful and irregular expenditure

Financial Misconduct Framework (FMC) has been established and 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.

Directors' Report

All identified fruitless and wasteful expenditure for the group under investigation as at 31 March 2022 amount to an accumulated balance of R132 million of fruitless and wasteful expenditure (2021: R537 million). Refer to note 50 for more detail.

All identified irregular expenditure for the group under investigation as at 31 March 2022 amount to an accumulated balance of R2 439 million of irregular expenditure (2021: R1 827 million). Refer to note 51 for more detail.

12. Insurance and risk management

The company 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 company'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.

13. 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 company were made during the period covered by this report.

14. Events after the reporting period

A non-adjusting event occurred after year-end. The Company issued instructions for withdrawals from the PRMA portfolio totaling R502 728 984. The intention of the withdrawal was to move the funds from Other financial assets to a Call account.

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

15. Going concern

The directors believe that, the company will have adequate financial resources to continue in operation for the foreseeable future accordingly, the annual financial statements have been prepared on a going concern basis. The SA Post Office is a State-Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas, including rural areas and small towns within the Republic of South Africa. The Post Office infrastructure and Post Office branch network exists to render these Universal Postal Services that all citizens are entitled to.

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

Material uncertainty

The conditions noted below resulted in a material uncertainty that might cast significant doubt on SAPO's ability to continue as a going concern:

- The Group recognised recurring operating losses of R2 181 million and R2 352 million for the years ended 31 March 2022 and 31 March 2021 respectively, as disclosed in the statement of comprehensive income.
- As at the reporting date, the Group was in net liability financial position, with total liabilities exceeding total assets by R4 082million (2021: R2 037 million) and current liabilities exceeding current assets by R6 657 million (2021: R4 988 million). This is reflected adversely in key financial ratios including the Group's gearing ratio, which stood at 1.65% (2021: 1.25%) on the reporting date.
- Instances of late payments to commercial and statutory creditors have occurred, and the ability of the Group to comply with loan agreements is constrained.
- Pending legal or regulatory proceedings against the Company exist that, if successful, may result in claims the Company is unlikely to have the means to meet.
- The Group experienced negative operating cash flows in the current financial year. These circumstances are projected to persist in over the next twelve months.
- The Group has experienced loss of key management without replacement.

Mitigating conditions: Shareholder's Intent

The SA Post Office is a State-Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas within the Republic of South Africa, including rural localities and small towns. SAPO's ongoing mandate to distribute social grants on behalf of SASSA is indicative

Directors' Report

of government's view of SAPO's role as integral to fulfilling the delivery of such government services in the foreseeable future.

SAPO's current duties include the provision of significant government services (such as distribution of grants and the delivery of Digital Terrestrial Television set-top boxes) that have social impact. In catering for communities low-income and rural that are underserved by commercial operators, SAPO's activities also alleviate critical market failures that, given their nature, are largely beyond the reach of the private sector to address.

Management current understanding of SAPO's status is that there is no intention from the Department/Ministry (as shareholder representative) and the Board to liquidate SAPO or to cease its operations. The support of the shareholder for SAPO to continue operating is demonstrated by the fact that National Treasury has granted, in the 2021 financial year, MTEF Funding of R1,6 billion allocated to fund the public service mandate for the 2022/23 to 2024/25 financial years. This indicates that the shareholder intends for SAPO to continue to render its legislative mandates at least until 31st March 2025.

Strategic Initiatives

Embodied in the 2022/23 – 2024/25 Corporate Plan is the company's modernization strategy. The strategy defines the path SAPO is following to repurpose as an e-commerce and logistics company that is anchored by technology and innovation to turn around its fortunes. Implementation of this strategy is guided by SAPO's Corporate Implementation Plan for 2022/23 and is currently underway.

The strategy plots SAPO a path to profitability by the 2024 financial year, on the strength of revenue growth initiatives such as new service lines (e.g. hybrid mail and the recently launched motor vehicle license renewal e-service), and optimisation of existing operations (e.g. consolidation of the current courier and parcel business).

In addition, SAPO has also adopted a cost reduction strategy that is expected to yield an average of R1 100 million in each of the three upcoming years.

Based on the above, management is of the opinion that the going concern assumption adopted is appropriate under the circumstances.

16. Litigation statement

The company becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. Refer to note 48 for more details regarding these.

Except for those mentioned in note 48: Contingencies, there are no further legal or arbitration proceeds which have had a material effect on the company's financial position.

17. 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 Friday, 29 July 2022.

18. 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 2022

		Group			Company		
Figures in Rand thousand	**Note(s)**	**2022**	**2021 Restated ***	**2020 Restated ***	**2022**	**2021 Restated ***	**2020 Restated ***
Assets							
Non-Current Assets							
Property, plant and equipment	3	2 405 262	2 307 708	1 990 892	2 404 949	2 305 066	1 987 947
Right-of-use assets	4	279 753	634 783	728 684	270 935	624 379	721 518
Investment property	5	252 737	307 566	308 871	179 526	224 897	220 208
Heritage assets	6	46 247	46 247	46 247	46 247	46 247	46 247
Intangible assets	7	2 953	1 595	18 007	2 953	1 595	18 007
Investments in subsidiaries	8	-	-	-	31 933	31 933	31 933
Other financial assets	10	489 688	1 018 006	805 684	489 688	1 018 006	805 684
Operating lease asset	11	1 862	3 118	7 720	1 862	3 076	7 593
Retirement benefit asset	12	47 201	44 672	42 411	47 201	44 672	42 411
Deferred tax	21	5 130	6 147	879	-	-	-
		3 530 833	**4 369 842**	**3 949 395**	**3 475 294**	**4 299 871**	**3 881 548**
Current Assets							
Inventories	13	47 243	56 797	79 218	46 848	56 690	79 090
Loans to group companies	9	-	-	-	-	-	-
Trade and other receivables	14	1 818 391	1 774 170	1 368 726	1 810 346	1 764 345	1 359 313
Other financial assets	10	143 774	362 013	337 472	143 774	362 013	337 472
Operating lease asset	11	105	3 266	2 072	436	3 516	2 002
Prepayments	15	2 418	2 384	2 376	2 418	2 384	2 376
Current tax receivable		1 976	76	69	-	-	-
Cash and cash equivalents	16	605 642	1 649 308	1 578 828	580 174	1 624 947	1 554 805
		2 619 549	**3 848 014**	**3 368 761**	**2 583 996**	**3 813 895**	**3 335 058**
Non-current assets held for sale	17	144 367	-	-	126 767	-	-
Total Assets		**6 294 749**	**8 217 856**	**7 318 156**	**6 186 057**	**8 113 766**	**7 216 606**
Equity and Liabilities							
Equity							
Share capital	18	8 164 116	8 164 116	8 164 116	8 164 116	8 164 116	8 164 116
Reserves		2 048 821	1 826 101	1 504 431	2 048 821	1 826 101	1 504 431
Accumulated loss		(14 294 603)	(12 027 591)	(9 683 362)	(14 311 596)	(12 039 666)	(9 689 149)
		(4 081 666)	**(2 037 374)**	**(14 815)**	**(4 098 659)**	**(2 049 449)**	**(20 602)**

Statement of Financial Position as at 31 March 2022

		Group			Company		
Figures in Rand thousand	**Note(s)**	**2022**	**2021 Restated ***	**2020 Restated ***	**2022**	**2021 Restated ***	**2020 Restated ***
Liabilities							
Non-Current Liabilities							
Financial liabilities at amortised cost	24	-	-	152 097	-	-	152 097
Lease liabilities	4	134 607	355 414	603 628	123 968	343 632	595 518
Retirement benefit obligation	12	875 891	938 349	917 716	875 891	938 349	917 716
Deferred tax	21	19 324	18 761	18 736	-	-	-
Provisions	22	69 337	106 588	251 626	68 789	105 468	250 172
		1 099 159	**1 419 112**	**1 943 803**	**1 068 648**	**1 387 449**	**1 915 503**
Current Liabilities							
Trade and other payables	23	7 765 775	7 137 819	3 892 382	7 712 385	7 087 232	3 835 792
Financial liabilities at amortised cost	24	24 969	152 097	161 338	24 969	152 097	161 338
Borrowings	20	207 897	202 750	196 127	207 897	202 750	196 127
Lease liabilities	4	219 664	251 886	127 512	219 664	251 886	127 512
Retirement benefit obligation	12	136 124	151 608	154 048	136 124	151 608	154 048
Contract liabilities	25	1 954	2 220	2 112	-	-	-
Deferred income	26	81 639	119 116	169 540	77 074	112 482	162 780
Current tax payable		-	68	188	-	-	-
Provisions	22	312 524	289 396	262 208	311 245	288 553	260 395
Deposits from the public		7	-	-	7	-	-
Funds collected on behalf of third parties	27	467 893	376 924	170 405	467 893	376 924	170 405
Government grants	28	58 810	152 234	253 308	58 810	152 234	253 308
		9 277 256	**8 836 118**	**5 389 168**	**9 216 068**	**8 775 766**	**5 321 705**
Total Liabilities		**10 376 415**	**10 255 230**	**7 332 971**	**10 284 716**	**10 163 215**	**7 237 208**
Total Equity and Liabilities		**6 294 749**	**8 217 856**	**7 318 156**	**6 186 057**	**8 113 766**	**7 216 606**

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Rand thousand	**Note(s)**	**2022**	**2021 Restated ***	**2022**	**2021 Restated ***
Revenue	29	3 032 614	3 025 819	2 997 308	2 991 232
Other operating income	30	781 186	756 007	773 318	751 595
Other operating gains (losses)	31	(63 614)	(14 662)	(71 758)	(8 667)
Other operating expenses	32	(1 853 356)	(1 979 290)	(1 845 535)	(1 972 420)
Employee costs	33	(3 666 052)	(3 744 520)	(3 646 457)	(3 724 890)
Transport cost		(95 414)	(88 218)	(88 507)	(83 083)
Depreciation, amortisation and impairment losses	34	(515 768)	(453 246)	(513 757)	(450 986)
Operating loss		**(2 380 404)**	**(2 498 110)**	**(2 395 388)**	**(2 497 219)**
Investment income	35	1 071 754	804 955	1 070 903	804 395
Finance costs	36	(982 942)	(882 372)	(981 687)	(879 756)
Other non-operating gains (losses)	37	112 201	219 833	112 201	219 833
Loss before taxation		**(2 179 391)**	**(2 355 694)**	**(2 193 971)**	**(2 352 747)**
Taxation	38	(1 852)	3 820	-	-
Loss for the year		**(2 181 243)**	**(2 351 874)**	**(2 193 971)**	**(2 352 747)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		(224 482)	(156 279)	(224 751)	(156 119)
Gains on property revaluation		221 326	322 180	226 373	322 180
Gains (losses) on other financial assets adjustments	10	(3 653)	4 537	(3 653)	4 537
Total items that will not be reclassified to profit or loss		**(6 809)**	**170 438**	**(2 031)**	**170 598**
Other comprehensive income for the year net of taxation		**(6 809)**	**170 438**	**(2 031)**	**170 598**
Total comprehensive loss for the year		**(2 188 052)**	**(2 181 436)**	**(2 196 002)**	**(2 182 149)**
Loss attributable to:					
Owners of the parent:					
From continuing operations		**(2 181 243)**	**(2 351 874)**	**(2 193 971)**	**(2 352 747)**

Statement of Changes in Equity

Figures in Rand thousand	Share capital	Revaluation reserve	Mark-to-market reserve	Total reserves	Accumulated loss	Total equity
Group						
Opening balance as previously	8 164 116	1 464 255	40 176	1 504 431	(9 708 437)	(39 890)
reported						
Adjustments						
Prior year adjustments	-	-	-	-	25 075	25 075
Balance at 01 April 2020 as restated	**8 164 116**	**1 464 255**	**40 176**	**1 504 431**	**(9 683 362)**	**(14 815)**
Loss for the year	-	-	-	-	(2 351 874)	(2 351 874)
Other comprehensive income	-	322 180	4 537	326 717	(156 279)	170 438
Total comprehensive Loss for the year	**-**	**322 180**	**4 537**	**326 717**	**(2 508 153)**	**(2 181 436)**
Prior year adjustments	-	(5 047)	-	(5 047)	163 924	158 877
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(5 047)**	**-**	**(5 047)**	**163 924**	**158 877**
Opening balance as previously reported	8 164 116	1 459 208	44 713	1 503 921	(12 198 892)	(2 530 855)
Adjustments						
Prior year adjustments	-	322 180	-	322 180	171 301	493 481
Balance at 01 April 2021 as restated	**8 164 116**	**1 781 388**	**44 713**	**1 826 101**	**(12 027 591)**	**(2 037 374)**
Loss for the year	-	-	-	-	(2 181 243)	(2 181 243)
Other comprehensive income	-	221 326	(3 653)	217 673	(224 482)	(6 809)
Total comprehensive Loss for the year	**-**	**221 326**	**(3 653)**	**217 673**	**(2 405 725)**	**(2 188 052)**
Prior year adjustments	-	-	-	-	143 760	143 760
Transfer to retained income	-	5 047	-	5 047	(5 047)	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**5 047**	**-**	**5 047**	**138 713**	**143 760**
Balance at 31 March 2022	**8 164 116**	**2 007 761**	**41 060**	**2 048 821**	**(14 294 603)**	**(4 081 666)**
Note(s)	18		19			

Statement of Changes in Equity

Figures in Rand thousand	Share capital	Revaluation reserve	Mark-to-market reserve	Total reserves	Accumulated loss	Total equity
Company						
Opening balance as previously reported	8 164 116	1 464 255	40 176	1 504 431	(9 715 138)	(46 591)
Adjustments						
Prior year adjustments	-	-	-	-	25 989	25 989
Balance at 01 April 2020 as restated	**8 164 116**	**1 464 255**	**40 176**	**1 504 431**	**(9 689 149)**	**(20 602)**
Loss for the year	-	-	-	-	(2 352 747)	(2 352 747)
Other comprehensive income	-	322 180	4 537	326 717	(156 119)	170 598
Total comprehensive Loss for the year	**-**	**322 180**	**4 537**	**326 717**	**(2 508 866)**	**(2 182 149)**
Prior year adjustments	-	(5 047)	-	(5 047)	158 349	153 302
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(5 047)**	**-**	**(5 047)**	**158 349**	**153 302**
Opening balance as previously reported	8 164 116	1 459 208	44 713	1 503 921	(12 203 133)	(2 535 096)
Adjustments						
Prior year adjustments	-	322 180	-	322 180	163 467	485 647
Balance at 01 April 2021 as restated	**8 164 116**	**1 781 388**	**44 713**	**1 826 101**	**(12 039 666)**	**(2 049 449)**
Loss for the year	-	-	-	-	(2 193 971)	(2 193 971)
Other comprehensive income	-	226 373	(3 653)	222 720	(224 751)	(2 031)
Total comprehensive Loss for the year	**-**	**226 373**	**(3 653)**	**222 720**	**(2 418 722)**	**(2 196 002)**
Prior year adjustments	-	-	-	-	146 792	146 792
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**146 792**	**146 792**
Balance at 31 March 2022	**8 164 116**	**2 007 761**	**41 060**	**2 048 821**	**(14 311 596)**	**(4 098 659)**
Note(s)	18					

The accounting policies on pages 113 to 135 and the notes on pages 138 to 231 form an integral part of the financial statements
* The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long-term loan to a subsidiary company, to the reporting currency.

Statement of Cash Flows

		Group		Company	
Figures in Rand thousand	**Note(s)**	**2022**	**2021**	**2022**	**2021**
Cash flows from operating activities					
Cash receipts from customers		3 720 551	3 108 905	3 546 904	3 227 397
Cash paid to suppliers and employees		(4 996 779)	(2 458 053)	(4 930 056)	(2 578 753)
Cash generated from/(used in) operations	39	(1 276 228)	650 852	(1 383 152)	648 644
Interest income		-	-	-	-
Finance costs		-	-	-	-
Tax paid	40	(3 820)	(1 547)	-	-
Net cash from operating activities		**(1 280 048)**	**649 305**	**(1 383 152)**	**648 644**
Cash flows from investing activities					
Disposal (purchase) of property, plant and equipment	3	(118 083)	(20 659)	(17 609)	(20 659)
Disposal (purchase) of other intangible assets	7	(246)	-	(246)	-
Disposal of financial assets at fair value		855 105	(12 493)	855 105	(12 493)
Interest Income		77 180	31 431	76 329	30 871
Dividends received		15 500	17 484	15 500	17 484
Net cash from investing activities		**829 456**	**15 763**	**929 079**	**15 203**
Cash flows from financing activities					
Proceeds from (repayment of) financial liabilities at amortised cost		(127 128)	(161 338)	(127 128)	(161 338)
Proceeds from (repayment of) lease liabilities		(341 532)	(321 741)	(339 183)	(323 282)
Finance costs		(124 414)	(111 509)	(124 389)	(109 085)
Net cash from financing activities		**(593 074)**	**(594 588)**	**(590 700)**	**(593 705)**
Total cash movement for the year		**(1 043 666)**	**70 480**	**(1 044 773)**	**70 142**
Cash at the beginning of the year		1 649 308	1 578 828	1 624 947	1 554 805
Total cash at end of the year	**16**	**605 642**	**1 649 308**	**580 174**	**1 624 947**

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 company's annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the requirements of the Public Finance Management Act and the Companies Act of South Africa.

The accounting policies applied in preparation of these annual financial statements are consistent in all material respects with those applied in the prior year, unless explicitly stated otherwise as changes in accounting policies. No standards were adopted before the effective date during the financial reporting period ended 31 March 2022.

The financial statements are presented in South African Rands (ZAR), the functional currency of the 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 Mr L Govender, Acting Chief Financial Officer.

1.1 Basis of preparation

The consolidated and separate 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 financial statements and the Companies Act of South Africa, as amended.

These 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 financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the group and company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Financial statement preparation

Basis of consolidation

Subsidiaries

The consolidated annual financial statements incorporate the annual financial statements of the company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee and
- Has the ability to use its power to affect its return

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other voting holders;
- Potential voting rights held by the company, other vote holder or other parties;
- Rights arising from other contractual arrangements, and
- 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

Accounting Policies

Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the annual financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Fair value considerations

The consolidated annual financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and /or disclosure purposes in these consolidated annual financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 input are quoted process (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted process included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

Current non-current distinction

All assets and all liabilities are classified and presented as either current or non-current unless they are presented in order of their liquidity. The term 'current' is defined for:

(a) assets, as an asset that is:

i. expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
ii. held primarily for the purpose of being traded;
iii. expected to be realised within 12 months after the reporting period; or
iv. cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period;

(b) liabilities, as a liability that:

i. is expected to be settled in the entity's normal operating cycle;
ii. is held primarily for the purpose of being traded;
iii. is due to be settled within 12 months after the reporting period; or
iv. the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets include inventories and trade receivables that are sold, consumed or realised as part of the normal operating cycle and current liabilities include those liabilities that form part of the working capital used in a normal operating cycle

Accounting Policies

of the entity, for example trade payables and accruals for employee benefits expense.

The principal accounting policies are set out below.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated financial statements. Significant judgements include:

Loans and receivables

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

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Financial assets through other comprehensive income (OCI)

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

Allowance for slow moving, damaged and obsolete stock

The allowance for stock write-off at the lower of cost or net realisable value requires the use of estimates to determine the selling price and direct cost to sell.

Fair value estimation

Accounting Policies

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

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

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

Other items that are subject to fair value as a significant judgement and source of estimation and uncertainty include property, plant and equipment, and investment property. Further detail on the valuation of these items is provided in notes 3 and 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.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns based on product type (Bulk Mail, Agency Services, Speed Services, Motor Vehicle Licenses, Franking, Business Reply Services, Other trade, Truebill, Trust Centre).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss

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experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 14.

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

Taxation

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

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

All capital assets are utilised through use except for land that is utilised through the sales tax rate.

Deferred income

Judgement is required when determining the deferred revenue due to the stage of completion of the revenue contract at year end. There are many transactions and calculations for which the ultimate deferred revenue determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated deferred income based on the stage of completion. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss and deferred income liability in the period in which such determination is made.

Post-employment benefit obligations

In determining the value to be placed on these post-employment benefits, various assumptions in respect of various economic and demographic factors have been made. In order to have consistency between the benefits, the same assumptions for all benefits have been applied where relevant. In assessing the appropriateness of the assumptions used it is important to consider the assumptions as a whole rather than in isolation. In particular, the relationship between the assumptions for the discount rate and the rate of increase in benefits is important.

IAS 19 Employee Benefits (IAS19) requires that realistic assumptions be applied in the valuation and that this should be determined with reference to the yields on corporate stock of similar duration to the liabilities. The standard further indicates that if the corporate bond market is neither sufficiently deep nor liquid, reference should be made to the yields on government stock. For the purpose of this valuation, account has been taken of the yields on South African government stock as reflected in the yield curve of the Bond Exchange of South Africa. The basic inflation assumption has also been determined by reference to the inflation rate implied in the market by the difference between the yield on nominal and inflation linked government stock.

The demographic assumptions (e.g. mortality, withdrawal rates, etc.) have been based on standard actuarial tables and other assumption rates that are generally used in the market place for the valuation of liabilities of this nature. Allowance has been made for AIDS related deaths in respect of the long service and leave encashment benefits, but not the PRMA benefits, using the Actuarial Society of South Africa AIDS model.

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.

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Site restoration and dismantling cost

Decommissioning costs 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 uncertainty 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 programs are taken into account. Residual value assessment consider issues such as future market conditions, the remaining lives of the assets and the projected disposal values.

Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation methods and remaining useful lives are reviewed at least annually. The estimation of the useful lives of intangible assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement.

1.4 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Heritage assets lie in contrast with property, plant and equipment, which are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

In the absence of an IFRS that specifically applies to a transaction, other event or condition, management develops an accounting policy in terms of IAS 8, which permits management to consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the requirements in IFRSs dealing with similar and related issues, and key definitions and concepts within the Conceptual Framework for Financial Reporting.

It is on this basis that the accounting treatment for heritage assets is informed by the requirements of GRAP 103 (Heritage Assets), issued by the Accounting Standards Board (South Africa).

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 a heritage asset will be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow (which is the case when a stipulation is a condition).

Costs of day-to-day servicing i.e. repairs and maintenance are expensed, only costs incurred to enhance or restore an asset to preserve its indefinite useful life can be capitalised if they meet the recognition criteria.

Heritage assets are subsequently measured at the revalued amount less accumulated impairment losses.

Heritage assets have indefinite useful lives and are not depreciated.

Revaluations are made with sufficient regularity such that

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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.

Service potential is the capacity to provide services that contribute to achieving the Group's objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows.

An asset is derecognised when it is disposed of or when no future economic benefits or service potential is expected. Any gain or loss is recognised in profit or loss. The revaluation surplus included in equity in respect of a heritage assets may be transferred directly to retained earnings when it is derecognised.

A heritage asset is not depreciated but the entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

In assessing whether there is an indication that an asset may be impaired, the Group has considered, as a minimum, the following indications:

External sources of information:

(a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) The absence of an active market for a revalued heritage asset.

Internal sources of information:

(a) Evidence is available of physical damage or deterioration of a heritage asset.

(b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

1.5 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value, which reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the

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carrying amount of the asset is recognised in profit or loss in the period of derecognition.

1.6 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost 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.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Major spare parts and stand by equipment which are expected to be used for more than one year are included in property, plant and equipment.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings.

Land and buildings are subsequently stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

On revaluation, the carrying amount of the asset is adjusted to the revalued amount. At the date of revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset. The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount.

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation reserve in equity related to a specific item of property, plant and equipment is transferred directly to retained income when the asset is derecognised.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The assumptions regarding estimated useful lives of items of property, plant and equipment at acquisition have been assessed as follows:

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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

As the company re-assesses the useful lives of its assets each year, the remaining useful lives of some assets may be extended beyond or reduced beneath the initial estimates made at acquisition. Such extensions or reductions to individual assets are then updated and reflected within the fixed asset register.

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

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

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the group holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Site restoration and dismantling cost

Where 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 these items of property, plant and equipment include 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 their expected lease term, usually indicated by 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

Accounting Policies

- 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 there is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

1.8 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Neither the Group or the Company has intangible assets with indefinite useful lives.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. The amortisation period and the amortisation method for intangible assets are reviewed regularly

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Intangible assets under development	Not amortised until asset is complete and in use
Software	2 - 8 years
Software - personal computers	1 - 3 years

1.9 Interests in subsidiaries

Company annual financial statements

In the Company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- 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

Financial instruments held by the Group and Company

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are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group and Company, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows);
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or

Note 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

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions note 1.3
- Trade receivables note 14

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial

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asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Loans to (from) group companies

Initial recognition and classification

Intragroup loans and receivables/(payables) are classified as financial assets/(financial liabilities). These include loans to and from subsidiaries and are recognised initially at fair value plus/(minus) direct transaction costs.

Subsequent measurement

Intragroup loans and receivables/(payables) are subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Financial liabilities at amortised cost

Initial recognition and classification

Financial liabilities at amortised cost consist of the advance payment received from SASSA. This advance is initially measured at fair value plus/(minus) direct transaction costs.

Subsequent measurement

Financial liabilities at amortised cost are subsequently measured at a fair value equal to a similar liability valued at a market interest rate.

The advance has been classified in this manner because the contractual terms of these advance 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 repay the contractual cash flows on these advance.

The difference in the fair value of the advance and the actual payments received is subsequently recognised as a government grant on year end.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, Value Added Tax and prepayments, are classified as financial assets subsequently measured at amortised cost (Note 14).

It has been classified in this manner because the contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group and Company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group and Company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other payables

Classification

Trade and other payables, excluding Value Added Tax and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

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

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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 amortised cost.

Borrowings

Initial recognition and classification

The loan represents an internal, inter-divisional, balance that was converted to a company-level liability as a consequence of the separation of Postbank from SAPO. This loan is initially measured at fair value plus/(minus) direct transaction costs.

Subsequent measurement

Borrowings are subsequently measured at amortised cost using a publicly quoted market interest rate. Interest is calculated on an effective rate basis, on the principal amount of the loan, using a three term NRD rate.

The loan is considered to be current in nature because the company has no contractual right to unilaterally defer settlement of the liability for at least twelve months after the reporting period.

1.11 Taxation

Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

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

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

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

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

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

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

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- 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.

1.12 Leases

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 32) 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).

Details of leasing arrangements where the group is a lessee are presented in note 4, 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;
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and

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 4).

The lease liability is presented as a separate line item 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 36).

The group remeasures the lease liability, when applicable, in accordance with the following table:

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Lease liability remeasurement scenario	Lease liability remeasurement 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 Discounting the revised lease payments using the 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 remeasured 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.

When the group incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position in note 22 Provisions.

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.

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
IT equipment	Straight line	Lease term
Computer software	Straight line	Lease term
Site restoration	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.

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Group as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 30).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.13 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, exchange or distribution.

The cost of inventories includes the purchase price 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.

The amount of any write-down of inventories to net realisable value or current replacement cost 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 - books, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories - booklets, envelopes and stamps recognised as an expense in the period in which the reversal occurs.

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.

1.14 Non-current assets (disposal groups) held for sale or distribution to owners

A non-current asset or disposal group is classified as held-for-sale if its carrying amount will be recovered primarily through a sale transaction instead of through continuing use.

Assets held for sale are measured at the lower of the carrying value and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

1.15 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

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recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.16 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.

1.17 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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

The benefit costs and obligations under the defined benefit funds are determined separately for each fund using the projected unit credit method.

The service cost and net interest on the net defined benefit liability or asset are recognised in profit or loss.

Where the benefits of a plan are amended or curtailed, the change in the present value of the net defined benefit obligation relating to past service by the employees is recognised in profit or loss in the period of the amendment.

Past service costs are recognised immediately.

Remeasurements of the net defined benefit liability or asset, comprising actuarial gains and losses, the effect of changes in the asset ceiling where applicable, and the return on the plan assets other than interest are recognised in other comprehensive income and transferred to equity in the period in which they arise.

The post-benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation less the fair value of any plan assets. An asset resulting from this calculation is recognised only to the extent of any economic benefits available to the SAPO in the form of refunds or reductions in the future contributions (asset ceiling).

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Actuarial gains or determined through annual actuarial valuations by independent consulting actuaries using the projected unit credit method and remeasurements recognised as stated above.

1.18 Funds collected on behalf of third parties

Funds collected on behalf of third parties consist of funds collected on behalf of third party clients from the customers of the company. This funds is paid over to the third party client within the 24 hours after collection from the customers.

This amounts are initially and subsequently recognised at the gross amount collected from the customers, and does not incur interest for the period the monies are held in the bank account of the company

1.19 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.

1.20 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

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grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are deducted from the related expense.

1.21 Comparatives

During the financial year the Group elected to present the costs recognised in the statement of profit and loss in the format of the management results as this is considered to provide more reliable and relevant information. The comparative figures were also adjusted accordingly.

1.22 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 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:

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a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above, an entity satisfies the performance obligation at a point in time.

Measurement

When (or as) a performance obligation is satisfied, SA Post Office recognise as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained) that is allocated to that performance obligation.

Bulk mail revenue

Bulk-mail is a mail sorting and delivery service offered to customers with large mailing lists such as retail clothing companies. Bulk-mail revenue also include bulk parcels. Revenue from bulk-mail services is recognised at a point in time upon delivery of the mail to its destination (Postbox or physical address). The time of delivery is based on our mail delivery performance statistics. Bulk-mail revenue also includes collection services that is recognized at a point in time after collection.

Franking mail revenue

Franking refers to any devices, markings, or combinations thereof (franks) applied to mails of any class which qualifies them to be postally serviced. Franking mail revenue is recognized at a point in time when the mail is delivered to its destination. The time of delivery is based on our mail delivery performance statistics. Franking mail revenue also include license fees. License revenue is recognised at a point in time when SAPO 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 SAPO 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

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during the year to commemorate special events in the country. Revenue is recognised at a point in time when the promised goods/services (sale of philatelic products) revenue are transferred to the customer. Philately revenue also includes the sale of stamps used for postal services which is recognized at a point in time when letters reach their destination. The time of delivery is based on our mail delivery performance statistics.

Retail revenue

Retail revenue includes sale of airtime, scanning services and other products. Revenue is recognised at a point in time when the promised goods/services are transferred to the customer.

Courier service revenue

Courier services refers to parcel/mail delivery. Revenue from courier services is recognised at a point in time when the parcel/mail is delivered to its destination. The time of delivery is based on our mail delivery performance statistics.

Expedited Mail Service (EMS) revenue

Expedited Mail Service is an international priority mail service that provides a fast and reliable door to door service for the dispatch of urgent goods such as tender documents, business papers, merchandise and samples. EMS revenue is recognised at a point in time upon delivery of the parcel to its intended destination. The time of delivery is based on our mail delivery performance statistics.

Terminal and transit dues (International revenue)

Terminal dues are amounts due to SA Post Office Limited for mail received from foreign postal administrators whose destination is South Africa. Transit dues are amounts due from international postal administrators for international mail which passes through SA Post Office Ltd in transit to its destination out of South Africa. Revenue from terminal and transit dues is recognised once the mail has been delivered to its destination in the case of terminal dues, and once it has been sent off to its next stop with regard to the latter. The time of delivery is based on our mail delivery performance statistics.

Stamps and envelope revenue

Stamp and envelope revenue is the sale of stamps and envelopes that will be used by customers when they post letters. Revenue from sale of stamps and envelopes is recognised at a point in time when the mail is delivered to its destination. The time of delivery is based on our mail delivery performance statistics.

Service charges

Service charges income is the revenue taken in by Postbank from account-related charges to customers. These charges often relates to charges in respect of personal current account and they include monthly charges for the provision of an account. Therefore revenue from service charges is recognised at a point in time (transactional fees) when the customer makes use of the account and over time (normal provision of an account) when the bank account is kept active.

Delivery address check revenue

This is the commission received from the postal address management service suppliers. The Postal Address Management Service Suppliers (PAMSS) is a group of companies who offer address quality checking services to customers on behalf of the entity. Revenue from licenses is recognised at a point in time when SAPO 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 SAPO 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 SAPO 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.

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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.

Revenue included in Other operating income

Other rental income

Contractual rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

Other recoveries

Other recovery income is recognised in profit or loss when the group becomes entitled to the income or when it is virtually certain that the conditions required to be fulfilled before payment is received, will be fulfilled.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

a) this Act; or

b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

c) the National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

- Irregular expenditure that was incurred and identified during the current financial year, and which was condoned before year end, and/or before finalisation of the financial statements must be updated appropriately in the irregular expenditure register. In such an instance, no further action would be required, with the exception of updating the note in the financial statements.
- Irregular expenditure incurred and identified during the current financial year, awaiting condonement at year end, must be recorded in the irregular expenditure register. No further action is required, except to update the financial statement note.
- Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.
- Irregular expenditure that was incurred and identified during the current financial year, and which was not condoned by the National Treasury, or the relevant authority must be recorded appropriately in the irregular expenditure register. If an individual is proved to be liable for an irregular expenditure, a debt account is created, and such debt is deemed to be legally recoverable from the individual. Immediate steps are taken to recover the amount. If recovery is not possible, the accounting officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is also updated accordingly. Where the irregular expenditure has not been condoned and no person is liable by law, the expenditure related thereto must remain allocated to the relevant program/expenditure item, to be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Material losses due to criminal conduct

Material losses due to criminal conduct means losses incurred due to crime and incidents relating to general commercial

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fraud, commercial general account fraud, commercial account fraud relating to SASSA transactions, commercial theft, violent armed robbery, violent business burglary and postal crime.

All expenditure relating to material losses due to criminal conduct is initially recognized as other receivables and then investigated. Once investigations are complete and it is determined that the loss cannot be recovered from any third party it is recognized as an expense.

The threshold for Material Losses due to criminal conduct is set at R30 million for a single incident as per the SAPO Materiality Framework.

1.27 Related parties

The Group operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. All executive managers and individuals in the Board of Directors are regarded as key management.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

1.28 Investment income

The Group's investment income include:

- Interest income;
- Dividend income;

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of investment income and include interest earned on cash and cash equivalents and the Expected Return on Assets of Post Retirement Benefit Assets.

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

The following standards and interpretations have been published and are mandatory for the group's accounting periods from the current financial year

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Covid-19-Related Rent Concessions beyond 30 June 2021: Amendment to IFRS 16 Leases. The amendment permitted lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment did not affect lessors.	01 April 2021	The impact of the standard is not material.
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022	The impact of the standard is not material.
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	01 January 2022	The impact of the standard is not material.
Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	01 January 2022	The impact of the standard is not material.

Notes to the Financial Statements

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Definition of Accounting Estimates - Amendments to IAS 8 In February 2021, the IASB issued Definition of Accounting Estimates, which amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.	01 January 2023	Unlikely there will be a material impact
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments provide guidance and to help entities apply materiality judgements to accounting policy disclosures, and distinguish changes in accounting estimates from changes in accounting policies.	01 January 2023	Unlikely there will be a material impact
Classification of Liabilities as Current or Non-Current - Amendment to IAS 1 In January 2020 the International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements that clarify its requirements for the presentation of liabilities in the statement of financial position.	01 January 2023	Unlikely there will be a material impact

2.3 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 2022 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Definition of Accounting Estimates - Amendments to IAS 8 In February 2021, the IASB issued Definition of Accounting Estimates, which amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.	01 January 2023	Unlikely there will be a material impact

Notes to the Financial Statements

3. Property, plant and equipment

Group		2022			2021	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	589 231	-	589 231	612 908	-	612 908
Buildings	2 014 366	(303 188)	1 711 178	1 796 517	(216 305)	1 580 212
Machinery and equipment	351 501	(311 477)	40 024	383 857	(340 225)	43 632
Furniture and fittings	53 887	(41 432)	12 455	57 303	(42 705)	14 598
Motor vehicles	42 520	(17 037)	25 483	66 502	(34 056)	32 446
Data processing equipment	413 360	(394 749)	18 611	405 054	(392 265)	12 789
Leasehold improvements	266 918	(261 563)	5 355	297 362	(289 164)	8 198
Assets under construction	2 925	-	2 925	2 925	-	2 925
Total	**3 734 708**	**(1 329 446)**	**2 405 262**	**3 622 428**	**(1 314 720)**	**2 307 708**

Company		2022			2021	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	589 231	-	589 231	612 908	-	612 908
Buildings	2 014 366	(303 188)	1 711 178	1 796 517	(216 305)	1 580 212
Machinery and equipment	351 501	(311 477)	40 024	358 306	(314 723)	43 583
Furniture and fittings	53 072	(40 626)	12 446	54 663	(40 088)	14 575
Motor vehicles	42 370	(16 899)	25 471	45 479	(15 289)	30 190
Data processing equipment	410 949	(392 629)	18 320	391 859	(379 383)	12 476
Leasehold improvements	266 339	(260 985)	5 354	296 770	(288 573)	8 197
Assets under construction	2 925	-	2 925	2 925	-	2 925
Total	**3 730 753**	**(1 325 804)**	**2 404 949**	**3 559 427**	**(1 254 361)**	**2 305 066**

Notes to the Financial Statements

Reconciliation of property, plant and equipment - Group - 2022								
	Opening balance	Additions	Retire-ments	Classified as held for sale	Revalua-tions	Other movements	Deprecia-tion	Total
Land	612 908	-	-	(24 302)	16 482	(15 857)	-	589 231
Buildings	1 580 212	370	-	(11 410)	209 891	520	(68 405)	1 711 178
Machinery and equipment	43 632	8 774	(2 192)	-	-	(485)	(9 705)	40 024
Furniture and fittings	14 598	52	(201)	-	(8)	-	(1 986)	12 455
Motor vehicles	32 446	872	(4 359)	-	-	-	(3 476)	25 483
Data processing equipment	12 789	441	(757)	-	-	26 064	(19 926)	18 611
Leasehold improvements	8 198	-	(456)	-	-	-	(2 387)	5 355
Assets under construction	2 925	-	-	-	-	-	-	2 925
	2 307 708	**10 509**	**(7 965)**	**(35 712)**	**226 365**	**10 242**	**(105 885)**	**2 405 262**

Reconciliation of property, plant and equipment - Group - 2021								
		Opening balance	Additions	Retire-ments	Revalua-tions	Other movements	Deprecia-tion	Total
Land		609 065	-	-	(12 014)	15 857	-	612 908
Buildings		1 219 374	997	-	334 193	78 665	(53 017)	1 580 212
Machinery and equipment		51 378	4 606	(1 339)	-	(132)	(10 881)	43 632
Furniture and fittings		16 635	244	(195)	-	-	(2 086)	14 598
Motor vehicles		42 352	-	(6 142)	-	-	(3 764)	32 446
Data processing equipment		38 423	9 634	(5 235)	-	(7 622)	(22 411)	12 789
Leasehold improvements		10 945	-	(180)	-	-	(2 567)	8 198
Assets under construction		2 721	204	-	-	-	-	2 925
		1 990 893	**15 685**	**(13 091)**	**322 179**	**86 768**	**(94 726)**	**2 307 708**

Notes to the Financial Statements

Reconciliation of property, plant and equipment - Company - 2022								
	Opening balance	Additions	Retire-ments	Classified as held for sale	Revalua-tions	Other movements	Deprecia-tion	Total
Land	612 908	-	-	(24 302)	16 482	(15 857)	-	589 231
Buildings	1 580 212	370	-	(11 410)	209 891	520	(68 405)	1 711 178
Machinery and equipment	43 583	8 774	(2 186)	-	-	(479)	(9 668)	40 024
Furniture and fittings	14 575	52	(201)	-	-	-	(1 980)	12 446
Motor vehicles	30 190	872	(2 117)	-	-	-	(3 474)	25 471
Data processing equipment	12 476	208	(726	-	-	26 064	(19 702)	18 320
Leasehold improvements	8 197	-	(456)	-	-	-	(2 387)	5 354
Assets under construction	2 925	-	-	-	-	-	-	2 925
	2 305 066	**10 276**	**(5 686)**	**(35 712)**	**226 373**	**10 248**	**(105 616)**	**2 404 949**

Reconciliation of property, plant and equipment - Company - 2021								
		Opening balance	Additions	Retire-ments	Revalua-tions	Other movements	Deprecia-tion	Total
Land		609 065	-	-	(12 014)	15 857	-	612 908
Buildings		1 219 374	997	-	334 193	78 665	(53 017)	1 580 212
Machinery and equipment		51 266	4 606	(1 339)	-	(132)	(10 818)	43 583
Furniture and fittings		16 604	244	(197)	-	-	(2 076)	14 575
Motor vehicles		40 095	-	(6 141)	-	-	(3 764)	30 190
Data processing equipment		37 880	9 634	(5 235)	-	(7 622)	(22 181)	12 476
Leasehold improvements		10 942	-	(179	-	-	(2 566)	8 197
Assets under construction		2 721	204	-	-	-	-	2 925
		1 987 947	**15 685**	**(13 091)**	**322 179**	**86 768**	**(94 422)**	**2 305 066**

Notes to the Financial Statements

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.

Revaluation of property, plant and equipment

Valuation

Property plant and equipment (PPE) Land and Buildings were externally valued in 2017. Since 2017, there has been no further external valuation, nor internal re-valuation exercise performed.

In 2022 the decision was taken to perform an internal revaluation of PPE land and buildings, utilising the techniques and methodologies applied by the external valuers in 2017.

The external valuations were performed by the following Independent valuers whom are unrelated to the group: Messrs Valuations & Appraisals KZN (Pty) Ltd, Messrs LRM Developer CC , Messrs Pardey and Lutuli International Valuation Services CC, and Messrs Marble Sharp /Equity. These service providers are all members of the South African Institute of Valuers, with the appropriate qualifications and experience to determine the fair value of properties, in their relevant location.

Re-valuation

Internal re-valuations are to be performed in the years in between independent valuations. Here the fair values as determined by independent valuers are re-assessed / valued and adjusted annually by an internal team, to reflect the highest and best use for the properties.

The re-valuation adjustments to the value of properties are based on the following methodology:

1. The income capitalisation approach, being the dominant valuation approach applied in 2017 was utilised to re-value the PPE properties.
2. PPE properties to which this approach was applied to in 2017 were selected, and internal re-valuations re-performed. Properties were re-valued by applying a cumulative roll-on basis since 2017 to arrive at a revaluation for each of the intervening years.
3. Wherever PPE properties are related, being comprised of both the land and the building thereupon, they are ordinarily re- valued as one single property unit, with any movement in valuation being apportioned to the building, with the land valuation maintained.
4. Where the fair value adjustments are based upon the same methodology as the external valuations, being income capitalisation, the fair value is deemed to be a level 2 input.

Valuation inputs

Fair value hierarchy categorises inputs to valuation techniques into three levels. The highest priority is given to Level 1 inputs and the lowest priority to Level 3 inputs, maximising the use of Level 1 inputs and minimising the use of Level 3 inputs.

Fair value hierarchy of property, plant and equipment

Fair value hierarchy categorises inputs to valuation techniques into three levels. The highest priority is given to Level 1 inputs and the lowest priority to Level 3 inputs, maximising the use of Level 1 inputs and minimising the use of Level 3 inputs.

The fair value hierarchy applied by the company is a combination between Level 2 and Level 3 inputs. Where the fair value adjustments are based upon the same methodology as the external valuations, mostly income capitalisation, the fair value is deemed to be a level 2 input. Where fair value adjustments are based upon the comparative sales approach, the inputs are also deemed to be Level 2, since the value of the properties are based on similar, observable market prices. Where neither approach can be applied and the values are maintained between external valuations, these are classified as Level 3 since there are no observable inputs.

The company applies appropriate valuation inputs as follows:

Level 1 Inputs

There was no application for quoted prices in active markets for identical assets where available.

Level 2 Inputs

The company applies observable inputs for investment properties directly. These include market capitalisation rates, market rental escalations, market operating cost escalations,

Notes to the Financial Statements

and accepted maintenance percentages. Other inputs are applied indirectly. These include market corroborated inputs such as selling prices of similar properties, in similar locations, and comparable prices per square meter.

Level 3 Inputs

The company's fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group has no restrictions on the realisability if its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Level 2 Inputs were applied as follows:

		Range				
Valuation techniques	**Significant unobservable inputs utilised, sourced from market practitioners**	**2022**	**2021**	**2020**	**2019**	**2018**
Income capitalisation	Rental escalation	0.2%	4.1%	4.2%	4.2%	5.0%
	Operational cost escalations per annum	7.0%	7.2%	7.7%	7.5%	7.6%
	Market capitalisation rates	9.5%	10.7%	10.8%	10.6%	10.2%
	Allowances for backlog repairs and maintenance as percentage of estimated rentals	10.0%	10.0%	10.0%	10.0%	10.0%
	Consumer price index - 12 month rolling	5.7%	3.1%	4.1%	4.4%	3.8%

4. Right-of-use assets

	2022			2021		
Group	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings	387 955	(258 397)	129 558	378 346	(164 395)	213 951
Vehicles	303 765	(300 195)	3 570	303 765	(255 823)	47 942
IT Equipment	467 149	(341 990)	125 159	427 560	(175 112)	252 448
Site restoration	150 075	(128 609)	21 466	150 777	(30 335)	120 442
	1 308 944	**(1 029 191)**	**279 753**	**1 260 448**	**(625 665)**	**634 783**

	2022			2021		
Company	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings	373 720	(252 979)	120 740	364 266	(160 719)	203 547
Vehicles	303 765	(300 195)	3 570	303 765	(255 823)	47 942
IT Equipment	467 149	(341 990)	125 159	427 560	(175 112)	252 448
Site restoration	150 075	(128 609)	21 466	150 777	(30 335)	120 442
	1 294 709	**(1 023 773)**	**270 935**	**1 246 368**	**(621 989)**	**624 379**

Notes to the Financial Statements

Group - Reconciliation as at 31 March 2022	Opening balance	Additions	Depreciation	Remeasurement	Closing balance
Buildings	213 951	9 609	(94 003)	-	129 558
Vehicles	47 942	-	(44 372)	-	3 570
IT equipment	252 448	39 588	(166 878)	-	125 159
Site restoration	120 442	-	(98 274)	(702)	21 466
	634 783	**49 197**	**(403 527)**	**(702)**	**279 753**

Group - Reconciliation as at 31 March 2021	Opening balance	Additions	Depreciation	Remeasurement	Total
Buildings	271 895	32 300	(90 244)	-	213 951
Vehicles	161 662	-	(116 287)	2 567	47 942
IT equipment	231 596	166 290	(145 437)	-	252 448
Site restoration	63 531	-	-	56 912	120 442
	728 684	**198 590**	**(351 968)**	**59 479**	**634 783**

Company - Reconciliation as at 31 March 2022	Opening balance	Additions	Depreciation	Remeasurement	Closing Balance
Buildings	203 547	9 454	(92 261)	-	120 740
Vehicles	47 942	-	(44 372)	-	3 570
IT Equipment	252 448	39 588	(166 878)	-	125 159
Site restoration	120 442	-	(98 274)	(702)	21 466
	624 379	**49 042**	**(401 785)**	**(702)**	**270 935**

Company - Reconciliation as at 31 March 2021	Opening balance	Additions	Depreciation	Remeasurement	Closing balance
Buildings	264 729	27 088	(88 270)	-	203 547
Vehicles	161 662	-	(116 287)	2 567	47 942
IT Equipment	231 596	166 290	(145 437)	-	252 448
Site restoration	63 531	-	-	56 912	120 442
	721 518	**193 378**	**(349 994)**	**59 479**	**624 379**

Right of use assets consist of:

Buildings: Various buildings in different regions
Vehicles: Avis Fleet and Fleet Africa
IT Equipment: Telkom hardware (SOW 9, SOW 11 and SOW 14)

Notes to the Financial Statements

Other Disclosures

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Interest expense on lease liabilities	39 306	62 563	38 255	61 508
Gain/(Loss) with remeasurement of leases	-	175	-	175
Short term leases	6 212	4 260	6 212	4 260
Lease liabilities				
The maturity analysis of lease liabilities is as follows:				
Within one year	234 495	346 016	234 495	339 559
Two to five years	139 895	296 624	128 205	290 244
More than five years	10 804	36 899	10 804	36 899
	385 194	**679 539**	**373 504**	**666 702**
Less finance charges component	(30 923)	(72 238)	(29 872)	(71 184)
	354 271	**607 301**	**343 632**	**595 518**
Non-current liabilities	134 607	355 415	123 968	343 632
Current liabilities	219 664	251 886	219 664	251 886
	354 271	**607 301**	**343 632**	**595 518**

Buildings: These leases are for Post Office branches and offices, that is leased for a period between 2 - 10 years, at an incremental borrowing rate of 8.6% during the year.

Vehicles: The leases are for the lease of vehicles, varying for a period between 1 - 4 years, at an implicit interest rate of 6%. The interest rate is consistently applied, since the contracts is considered to be materially the same. The Avis Fleet contracts were renewed during 2022 to continue on a month to month basis, and was consequently derecognised during the current financial year.

IT Equipment and software: The lease is for a period of 60 months from commission date, but only for 40 months from inception date. This consequently resulted in abortive cost liabilities for 20 month difference in the termination of the contracts. An implicit interest rate of 5.5% is consistently applied for these contracts.

All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Reconciliation of lease liability				
Opening balance	607 301	731 140	595 518	723 030
Additions	49 180	198 207	49 042	193 377
Remeasurement	-	2 391	-	2 391
Repayment	(341 516)	(387 000)	(339 183)	(384 788)
Interest charged	39 306	62 563	38 255	61 508
	354 271	**607 301**	**343 632**	**595 518**

5. Investment property

Group					**2022**	**2021**
					Fair value	**Fair value**
Investment property					252 737	307 566
Company					**2022**	**2021**
					Fair value	**Fair value**
Investment property					179 526	224 897

Reconciliation of investment property - Group - 2022

			Opening balance	**Classified as held for sale**	**Fair value adjustments**	**Total**
Investment property			**307 566**	**(108 655)**	**53 826**	**252 737**

Reconciliation of investment property - Group - 2021

				Opening balance	**Fair value adjustments**	**Total**
Investment property				**308 871**	**(1 305)**	**307 566**

Reconciliation of investment property - Company - 2022

			Opening balance	**Classified as held for sale**	**Fair value adjustments**	**Total**
Investment property			**224 897**	**(91 055)**	**45 684**	**179 526**

Reconciliation of investment property - Company - 2021

				Opening balance	**Fair value adjustments**	**Total**
Investment property				**220 208**	**4 689**	**224 897**

Notes to the Financial Statements

Pledged as security

No investment property has been pledged as security.

Fair value of investment property Valuation

External valuations are performed with sufficient regularity as deemed appropriate by management. Here independent property valuers determine the fair values of investment properties.

The most recent external valuations were performed by independent valuer(s) on 31 March 2017, by the following Independent valuers whom are unrelated to the group: Messrs Valuations & Appraisals KZN (Pty) Ltd, Messrs LRM Developer CC, Messrs Pardey and Lutuli International Valuation Services CC, and Messrs Marble Sharp/Equity. These service providers are all members of the South African Institute of Valuers, with the appropriate qualifications to determine the fair value of properties, in the relevant locations.

Re-valuation

Internal re-valuations are performed in the years in between independent valuations. Here the fair values as determined by independent valuers are re-assessed/valued and adjusted annually by an internal team, to reflect the highest and best use for the properties.

As there is no requirement per IFRS to value investment properties every 5 years, once a formal valuation is performed, an entity may apply the valuer's methods internally (re-valuation) and adjust on an ongoing basis. Should material changes arise in the inputs into the re-valuation then independent valuers would be utilised.

The re-valuation adjustments to the value of properties are based on the following methodology:

1. SAPO utilises re-valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
2. For properties where independent valuations were performed, the same methodology and assumptions used by the independent valuer(s) are continually applied. The general approach followed by the independent valuers with regards to their valuations was the Income Capitalisation approach.
3. For properties where no formal valuation report is available for the property, or the Income-Capitalization approach cannot be reliably applied, the Comparative-Sales approach is applied to determine comparable market prices for similar properties currently on sale.
4. For a small number of properties where there are independent valuation reports, but insufficient revenue to apply income capitalisation, as well as insufficient comparative sales information, then the value of these properties are not adjusted between valuations.

Valuation inputs

Fair value hierarchy categorises inputs to valuation techniques into three levels. The highest priority is given to Level 1 inputs and the lowest priority to Level 3 inputs, maximising the use of Level 1 inputs and minimising the use of Level 3 inputs.

Fair value hierarchy of investment property

Fair value hierarchy categorises inputs to valuation techniques into three levels. The highest priority is given to Level 1 inputs and the lowest priority to Level 3 inputs, maximising the use of Level 1 inputs and minimising the use of Level 3 inputs.

The fair value hierarchy applied by the company is a combination between Level 2 and Level 3 inputs. Where the fair value adjustments are based upon the same methodology as the external valuations, mostly income capitalisation, the fair value is deemed to be a level 2 input. Where fair value adjustments are based upon the comparative sales approach, the inputs are also deemed to be Level 2, since the value of the properties are based on similar, observable market prices. Where neither approach can be applied and the values are maintained between external valuations, these are classified as Level 3 since there are no observable inputs.

The company applies appropriate valuation inputs as follows:

Level 1 Inputs
There was no application for quoted prices in active markets for identical assets where available.

Level 2 Inputs
The company applies observable inputs for investment properties directly. These include market capitalisation rates, market rental escalations, market operating cost escalations, and accepted maintenance percentages. Other inputs are applied indirectly. These include market corroborated inputs such as selling prices of similar properties, in similar locations, and comparable prices per square meter.

Notes to the Financial Statements

Level 3 Inputs
The company's fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group has no restrictions on the realisability if its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Level 2 Inputs were applied as follows:

Valuation techniques	Significant unobservable inputs utilised, sourced from the market practitioners	Range	
		2022	2021
Level 2 Direct inputs		**Percentage**	**Percentage**
Income Capitalisation	Rental escalations per annum	0.20%	4.10%
	Operational cost escalations per annum	7.00%	7.20%
	Capitalisation rates	9.50%	10.70%
	Allowances for backlog repairs and maintenance as percentage of estimated rentals	10.00%	10.00%
Level 2 Indirect input		**R/m2**	**R/m2**
Comparative Market value	Sales prices per square meter for similar locations	R124 - R2 472	R163 - R3 357

Valuation of investment properties

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Level 2				
Direct inputs				
- Buildings	74 071	115 171	74 071	115 171
- Land	40 703	46 829	40 703	46 829
Indirect inputs				
- Buildings	25 237	25 461	-	-
- Land	91 011	99 150	40 081	38 988
Total level 2	**231 022**	**286 611**	**154 855**	**200 988**
Level 3				
- Buildings	14 001	14 001	14 001	14 001
- Land	7 714	6 954	10 670	9 907
Total level 3	**21 715**	**20 955**	**24 671**	**23 908**
Fair value of investment property	**252 737**	**307 566**	**179 526**	**224 897**

Notes to the Financial Statements

Where SAPO occupies less than that fifty percent of the building/land, it is classified as Investment property. All the investment properties are considered to be used for operations, and therefore none are classified as held-for-sale assets.

Wherever investment properties are related, being comprised of both the land and the building thereupon, they are ordinarily re-valued as one single property unit, with any movement in valuation being apportioned to the building, as the proportional increase/decrease allocation to either is not suitably determinable.

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Investment property operating amounts recognised in profit or loss for the year				
Rental income from investment property	13 107	12 870	10 740	10 864
Direct operating expenses from rental generating property	(11 625)	(12 280)	(10 804)	(10 099)
Direct operating expenses from non-rental generating property	(5 891)	(5 823)	(5 891)	(5 823)
Profit (loss) from investment property	**(4 409)**	**(5 233)**	**(5 955)**	**(5 058)**

Investment properties classified as non-current assets held-for-sale

Investment properties classified as held-for-sale during the year, are those for which sales were concluded by year-end, however the consideration for these properties will be received in full once the properties are fully transferred to their purchasers. The company is still liable to pay the rates and taxes for properties classified as held-for-sale, until the properties are occupied, or the transfer is registered, whichever comes first.

The property held in SAPOS Properties (Rossburgh) (Pty) Ltd is related to the discontinuance of its operations, effective 1 March 2022. An offer to purchase was signed and the registration of the investment property is currently in progress.

Notes to the Financial Statements

6. Heritage assets

Group	2022			2021		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Work of art	7 697	-	7 697	7 697	-	7 697
Stamps	36 348	-	36 348	36 348	-	36 348
Documents	259	-	259	259	-	259
Philatelic stationery	510	-	510	510	-	510
Other assets	1 433	-	1 433	1 433	-	1 433
Total	**46 247**	**-**	**46 247**	**46 247**	**-**	**46 247**

Company	2022			2021		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Work of art	7 697	-	7 697	7 697	-	7 697
Stamps	36 348	-	36 348	36 348	-	36 348
Documents	259	-	259	259	-	259
Philatelic stationery	510	-	510	510	-	510
Other assets	1 433	-	1 433	1 433	-	1 433
Total	**46 247**	**-**	**46 247**	**46 247**	**-**	**46 247**

Valuations

Fair value determinations are made at intervals such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The last valuation was performed at 31 March 2017. The fair value was performed by independent valuers that are not connected to the Group.

The valuation was based on current market values and no discount rates were used.

Other information

In terms of the ICASA license agreement, the South African Post Office (SOC) Limited is required to own a museum which contains assets of a historical nature, including stamps, paintings, artefacts and machinery.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

Notes to the Financial Statements

7. Intangible assets

Group	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	340 858	(337 905)	2 953	349 827	(348 232)	1 595
Intangible assets under development	54 806	(54 806)	-	54 806	(54 806)	-
Total	**395 664**	**(392 711)**	**2 953**	**404 633**	**(403 038)**	**1 595**

Company	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	337 484	(334 531)	2 953	346 453	(344 858)	1 595
Intangible assets under development	54 806	(54 806)	-	54 806	(54 806)	-
Total	**392 290**	**(389 337)**	**2 953**	**401 259**	**(399 664)**	**1 595**

Reconciliation of intangible assets - Group - 2022

		Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software		1 595	246	7 468	(6 356)	2 953

Reconciliation of intangible assets - Group - 2021

		Opening balance	Disposals	Other changes, movements	Amortisation	Total
Computer software		18 007	(7 790)	2 622	(11 244)	1 595

Reconciliation of intangible assets - Company - 2022

		Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software		1 595	246	7 468	(6 356)	2 953

Reconciliation of intangible assets - Company - 2021

		Opening balance	Disposals	Other changes, movements	Amortisation	Total
Computer software		18 007	(7 790)	2 622	(11 244)	1 595

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 Financial Statements

8. Interests in subsidiaries including consolidated structured entities

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements.

Company				
Name of company	**% voting power 2022**	**% voting power 2021**	**Carrying amount 2022**	**Carrying amount 2021**
SA Post Office Properties (Rossburgh) (Pty) Ltd	100.00 %	100.00 %	8 564	8 564
SA Post Office Properties (Cape town) (Pty) Ltd	100.00 %	100.00 %	5 976	5 976
SA Post Office Properties (Bloemfontein) (Pty) Ltd	100.00 %	100.00 %	1 314	1 314
SA Post Office Properties (East Rand) (Pty) Ltd	100.00 %	100.00 %	14 358	14 358
SA Post Office Properties (Port Elizabeth) (Pty) Ltd	100.00 %	100.00 %	1 885	1 885
The Courier and Freight Group (Pty) Ltd	100.00 %	100.00 %	1 053	1 053
The Document Exchange (Pty) Ltd	100.00 %	100.00 %	-	-
			33 150	33 150
Impairment of investment in subsidiaries			**(1 217)**	**(1 217)**
			31 933	**31 933**

*Truebill (Pty) Ltd remains dormant.
The investments in subsidiary companies listed above are unlisted.

Notes to the Financial Statements

9. Loans to group companies

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
The Courier and Freight Group (Pty) Ltd	-	-	703 996	709 899
Impairment	-	-	(703 996)	(709 899)
	-	**-**	**-**	**-**

The loan to the Courier and Freight Group (Pty) Ltd pertains to support charges, other operational services reclassified from other receivables and other short-term loans.

The loan has been fully impaired.

10. Other financial assets

Debt investments at fair value through profit or loss	503 476	1 246 380	503 476	1 246 380
Equity investments at fair value through other comprehensive income	129 986	133 639	129 986	133 639
	633 462	**1 380 019**	**633 462**	**1 380 019**
Designated at fair value through profit or loss:				
Investment at fair value: Post retirement Medical Aid	503 476	1 246 380	503 476	1 246 380
Equity investments at fair value through other comprehensive income:				
Unlisted shares: Centriq Insurance Innovation (Pty) Ltd	129 986	133 639	129 986	133 639
Total other financial assets	**633 462**	**1 380 019**	**633 462**	**1 380 019**
Split between non-current and current portions				
Non-current assets	489 688	1 018 006	489 688	1 018 006
Current assets	143 774	362 013	143 774	362 013
	633 462	**1 380 019**	**633 462**	**1 380 019**

Investment at fair value: Post-retirement medical aid

During the current financial year an amount of R861 million of growth funds were withdrawn from the PRMA investment, in order to finance a portion of the company's current obligations.

This amount withdrawn from the fund did not reduce the capital amount invested in the fund and still complies with the initial obligations towards the purpose of the fund.

Unlisted shares: Centriq Insurance Innovation (Pty) Ltd

The unlisted shares held in the cell captive Centriq Insurance Innovation (Pty) Ltd are classified as subsequently measured at fair value through other comprehensive income (FVOCI), which are measured at fair value, with fair value gains and losses recognised directly in other comprehensive income.

The Group designated the investments at FVOCI because these equity securities represent investments that the Group intends to hold long term for strategic purposes.

Notes to the Financial Statements

Fair value information of debt instruments at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value, which is therefore equal to their carrying amounts.

The following classes of financial assets at fair value through profit and loss are measured through fair value using quoted market prices:

- Local cash
- Local bonds
- Local equity
- Foreign cash
- Foreign bonds

Fair value hierarchy of debt instruments at fair value through profit and loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets in active markets.

Level 2 applies inputs other than quoted prices included in level 1 that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Level 1				
Local bonds	140 390	358 971	184 609	358 971
Local equity	215 223	526 687	215 223	526 687
Foreign bonds	6 099	11 829	6 099	11 829
Total for level 1	**361 712**	**897 487**	**405 931**	**897 487**
Level 2				
Local and foreign investment & NOC's	141 764	348 894	97 545	348 894
Total for level 2	**141 764**	**348 894**	**97 545**	**348 894**
For the current and previous financial years, there were no transfers between level 1 and 2.				
Debt instruments at fair value through profit or loss are denominated in the following currencies:				
Rand	**503 476**	**1 246 381**	**503 476**	**1 246 380**

Notes to the Financial Statements

Equity instruments at fair value through other comprehensive income

Financial assets classified as subsequently measured at fair value through other comprehensive income are recognised at fair value unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets. Management believes that cost approximates fair value.

The carry value (based on the audited annual financial statements of Centriq) is used in the determination of the fair value of unlisted shares for which no reference can be made to quoted market prices. Management believes that the carrying value approximates the fair value of this investment.

Fair value hierarchy of equity instruments at fair value through other comprehensive income

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets in active markets.

Level 2 applies inputs other than quoted prices included in level 1 that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Management are of the opinion that the carrying value of the unlisted shares are more indicative of fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs) and therefore for more accurate disclosure, the unlisted shares should be included in level 3.

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

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Level 3				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	129 986	133 639	129 986	133 639
Total level 3	**129 986**	**133 639**	**129 986**	**133 639**

Reconciliation of equity instruments at fair value through OCI measured at level 3				
The carrying amount of these financial instruments is as follows:				
2022		**Opening balance**	**Gains or losses in other comprehen-sive income**	**Closing balance**
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd		133 639	(3 653)	129 986
2021		**Opening balance**	**Gains or losses in other comprehen-sive income**	**Closing balance**
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd		129 102	4 537	133 639

Notes to the Financial Statements

SAPO 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 SAPO.

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 2022, as well as an income statement for the period then ended.

The fair value of the preference share is determined with reference to the Adjusted net asset value.

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2022 and 2021, as all the financial assets were disposed of at their redemption date.

11. Operating lease asset (accrual)

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Non-current assets	1 862	3 118	1 862	3 076
Current assets	105	3 266	436	3 516
	1 967	**6 384**	**2 298**	**6 592**
Maturity analysis of lease payments:				
Within one year	222	4 336	222	4 294
Two to five years	1 698	1 895	2 029	2 145
More than five years	47	153	47	153
	1 967	**6 384**	**2 298**	**6 592**

The company has entered into operating leases for buildings. It straight-lined its operating leases where it is the lessee over the period of the lease contract.

Notes to the Financial Statements

12. Retirement benefits

Group 2022	Post retirement telephone subsidy	Post- retirement medical aid subsidy	Provident Fund	Pension fund	Total
Post retirement benefits					
Present value of obligation					
Balance at the beginning of the year	758	1 089 199	560	4 913 417	6 003 934
Service cost	-	-	-	826	826
Finance expense	-	130 241	26	677 158	807 425
Benefits paid	-	(128 501)	(19)	(652 604)	(781 124)
Transfers	-	-	-	415 426	415 426
Actuarial (gains) / losses	-	(78 924)	(22)	135 738	56 792
Write back of obligation	(758)	-	-	-	(758)
Present value of obligation at end of the year	**-**	**1 012 015**	**545**	**5 489 961**	**6 502 521**
Present value of assets					
Balance at the beginning of the year	-	-	45 233	7 052 610	7 097 843
Expected return on assets	-	-	2 142	979 074	981 216
Contributions received	-	-	-	1 930	1 930
Transfers	-	-	-	415 426	415 426
Benefits paid	-	-	(19)	(652 604)	(652 623)
Actuarial (gains) / losses	-	-	(391)	(47 972)	(47 581)
Present value of assets at end of the year	**-**	**-**	**47 747**	**7 748 464**	**7 796 211**
Present value obligation	-	(1 012 015)	(545)	(5 489 961)	(6 502 521)
Present value assets	-	-	47 746	7 748 464	7 796 210
Net present value (obligation) / asset)					
(Deficit) / surplus	**-**	**(1 012 015)**	**47 201**	**2 258 503**	**1 293 689**
Asset ceiling	-	-	-	(2 258 503)	(2 258 503)
Net present (obligation) / asset	**-**	**(1 012 015)**	**47 201**	**-**	**(964 814)**
Current assets	-	-	-	-	-
Non-current assets	-	-	47 201	-	47 201
Current liabilities	-	(136 124)	-	-	(136 124)
Non-current liabilities	-	(875 891)	-	-	(875 891)
	-	**(1 012 015)**	**-**	**-**	**(1 012 015)**

Notes to the Financial Statements

Group 2021	Post retirement telephone subsidy	Post- retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value of obligation					
Balance at the beginning of the year	952	1 070 812	627	4 910 583	5 982 974
Service cost	-	-	-	880	880
Finance expense	102	128 568	38	636 141	764 849
Benefits paid	(117)	(138 167)	(74)	(584 980)	(723 338)
Transfers	-	-	-	188 170	188 170
Actuarial (gains) / losses	(180)	27 986	(31)	(237 377)	(209 602)
Present value of obligation at end of the year	**757**	**1 089 199**	**560**	**4 913 417**	**6 003 933**
Present value of assets					
Opening balance at the beginning of the year	-	-	43 038	5 799 477	5 842 515
Expected return on assets	-	-	2 732	756 040	758 772
Contribution received	-	-	-	1 930	1 930
Transfers	-	-	-	188 170	188 170
Benefits paid	-	-	(73)	(584 980)	(585 053)
Actuarial gains / (losses)	-	-	(464)	891 973	891 509
Present value of asset at end of the year	**-**	**-**	**45 233**	**7 052 610**	**7 097 843**
Net present value (obligation) / asset					
Present value obligation	(757)	(1 089 200)	(560)	(4 913 417)	(6 003 934)
Present value asset	-	-	45 232	7 052 610	7 097 842
(Deficit) / surplus	**(757)**	**(1 089 200)**	**44 672**	**2 139 193**	**1 093 908**
Asset ceiling	-	-	-	(2 139 193)	(2 139 193)
Net present (obligation) / asset	**(757)**	**(1 089 200)**	**44 672**	**-**	**(1 045 285)**
Current assets	-	-	-	-	-
Non-current assets	-	-	44 672	-	44 672
Current liabilities	-	(151 608)	-	-	(151 608)
Non-current liabilities	(757)	(937 592)	-	-	(938 349)
	(757)	**(1 089 200)**	**-**	**-**	**(1 089 957)**

Notes to the Financial Statements

Company 2022	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	758	1 089 199	560	4 913 417	6 003 934
Service cost	-	-	-	826	826
Finance expense	-	130 241	26	677 158	807 425
Benefits paid	-	(128 501)	(19)	(652 604)	(781 124)
Transfers	-	-	-	415 426	415 426
Actuarial (gains) / losses	-	(78 924)	(22)	135 738	56 792
Write back of obligation	(758)	-	-	-	(758)
Present value of obligation at end of year	**-**	**1 012 015**	**545**	**5 489 961**	**6 502 521**
Present value of assets					
Opening balance at the beginning of the year	-	-	45 233	7 052 610	7 097 843
Expected return on assets	-	-	2 142	979 074	981 216
Contribution received	-	-	-	1 930	1 930
Transfers	-	-	-	415 426	415 426
Benefits paid	-	-	(19)	(652 604)	(652 623)
Actuarial gains / (losses)	-	-	391	(47 972)	(47 581)
Present value of asset at end of the year	**-**	**-**	**47 747**	**7 748 464**	**7 796 211**
Net present value (obligation) / asset					
Present value of obligation	-	(1 012 015)	(546)	(5 489 961)	(6 502 522)
Present value of asset	-	-	47 747	7 748 464	7 796 211
(Deficit) / surplus	**-**	**(1 012 015)**	**47 201**	**2 258 503**	**1 293 689**
Asset ceiling	-	-	-	(2 258 503)	(2 258 503)
Net present (obligation) / asset	**-**	**(1 012 015)**	**47 201**	**-**	**(964 814)**
Current assets	-	-	-	-	-
Non-current assets	-	-	47 201	-	47 201
Current liabilities	-	(136 124)	-	-	(136 124)
Non-current liabilities	-	(875 891)	-	-	(875 891)
	-	**(1 012 015)**	**-**	**-**	**(1 012 015)**

Notes to the Financial Statements

Company 2021	Post retirement telephone subsidy	Post- retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value of obligation					
Balance at the beginning of the year	952	1 070 812	627	4 910 583	5 982 974
Service cost	-	-	-	880	880
Finance expense	102	128 568	38	636 141	764 849
Benefits paid	(117)	(138 167)	(74)	(584 980)	(723 338)
Transfers	-	-	-	188 170	188 170
Actuarial (gains) / losses	(180)	27 986	(31)	(237 377)	(209 602)
Present value of obligation at end of year	**757**	**1 089 199**	**560**	**4 913 417**	**6 003 933**
Present value of assets					
Opening balance at the beginning of the year	-	-	43 038	5 799 477	5 842 515
Expected return on assets	-	-	2 732	756 040	758 772
Contribution received	-	-	-	1 930	1 930
Transfers	-	-	-	188 170	188 170
Benefits paid	-	-	(73)	(584 980)	(585 053)
Actuarial gains / (losses)	-	-	(464)	891 973	891 509
Present value of asset at end of the year	**-**	**-**	**45 233**	**7 052 610**	**7 097 843**
Net present value (obligation) / asset					
Present value of obligation	(757)	(1 089 200)	(561)	(4 913 417)	(6 003 935)
Present value of asset	-	-	45 233	7 052 610	7 097 843
(Deficit) / surplus	**(757)**	**(1 089 200)**	**44 672**	**2 139 193**	**1 093 908**
Asset ceiling	-	-	-	(2 139 193)	(2 139 193)
Net present (obligation) / asset	**(757)**	**(1 089 200)**	**44 672**	**-**	**(1 045 285)**
Current assets	-	-	-	-	-
Non-current assets	-	-	44 672	-	44 672
Current liabilities	-	(151 608)	-	-	(151 608)
Non-current liabilities	(757)	(937 592)	-	-	(938 349)
	(757)	**(1 089 200)**	**-**	**-**	**(1 089 957)**

Notes to the Financial Statements

Post retirement telephone subsidy

The company 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 company's net obligation in this regard is the amount of future benefits that the employees have earned in return for their service in the prior periods. Any unrecognised actuarial gains or losses and past service costs are recognised immediately. There are no plan assets for this liability and the employer funds this as the need for settlement arises

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual cost of the subsidy will however be dependent on the actual experience.

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
The amounts recognised in profit and loss:				
Finance expense	-	102	-	102
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of post retirement telephone subsidy (actuarial (gains) / losses)				
Changes in assumptions	-	54	-	54
Experience adjustment	-	(233)	-	(233)
	-	**(77)**	**-**	**(77)**

Actuarial assumptions: Post retirement telephone subsidy

The tables below illustrate the likely impact on SA Post Office that certain changes to the underlying assumptions would have on the results. These values are determined by assuming all other relevant assumptions remain constant. (Amounts in R'000).

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Discount Rate				
1% increase		723,00		723,00
Current Assumption		758,00		758,00
1% decrease		797,00		797,00
Mortality				
PA(90)+1		721,00		721,00
Current Assumption (Mortality PA(90))		758,00		758,00
PA(90)-1		795,00		795,00
Other assumptions				
Discount rate	N/A	10.00 %	N/A	10.00 %
Long-term price inflation	N/A	6.30 %	N/A	6.30 %

Post retirement medical subsidy

During the 2008/2009 financial period, R456,8 million worth of assets were transferred to the South African Post Office (SOC) Limited as a result of the Registrar for Medical Schemes' decision on 12 November 2008.

The Company has negotiated with bargaining unit employees that employees retiring after 30 June 2005 will not receive PRMA benefits. This curtailment of benefits was accounted for during the 2005 period. In addition, spouses and dependents of employees who passed away whilst in the service of the South African Post Office (SOC) Limited after 2005 will also receive medical aid benefits as part of the Defined Benefit Plan.

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
The amounts recognised in profit and loss:				
Interest cost	130 241	128 568	130 241	128 568
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of post retirement medical subsidy (actuarial (gains) / losses)				
Change in assumptions	3 606	55 640	3 606	55 640
Experience adjustment	(82 530)	(27 654)	(82 530)	(27 654)
	51 317	**156 554**	**51 317**	**156 554**
Actuarial assumptions: Post-retirement medical aid subsidy				
These tables set out the impact on results as a consequence of changes to assumptions on the discount and post-retirement mortality rates.				
Discount rate				
1% increase	950 569	1 023 723	950 569	1 023 723
Current assumption	1 012 015	1 089 199	1 012 015	1 089 199
1% decrease	1 082 166	1 163 873	1 082 166	1 163 873
Post-retirement mortality rate				
1% increase	967 670	1 041 529	967 670	1 041 529
Current assumption	1 012 015	1 089 199	1 012 015	1 089 199
1% decrease	1 057 725	1 137 682	1 057 725	1 137 682

The assumptions used are based on statistics and market data as at 31 March 2022. The sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the average yields from the zero-coupon government bond curve with a duration of between 10 and 15 years. The recommended discount rate is 11.22%. The source is the Johannesburg Stock Exchange through Inet BFA data service.

Future inflation assumption - The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase. We have estimated the market's pricing of inflation by comparing the yields on index- linked government bonds and long-term government bonds with a duration of between 10 and 15 years. The implied inflation assumption is therefore 6.78% per annum for future inflation. We assumed that medical inflation will exceed general inflation by 1.5% per annum. The implied medical inflation assumption is therefore 8.28% per annum.

Notes to the Financial Statements

Net discount rate - Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the gap between the two assumptions is more important. This gap is referred to as the net discount rate. The net discount rate is assumed to be 2.72% per annum (Derived from a discount rate of 11.22% and the expected salary inflation rate of 9.64%). The net discount rate was 3.54% per annum at the previous valuation.

Post-retirement mortality - The PA(90) mortality table was used. This assumption is consistent with the assumption used for the previous valuation report.

Age of spouse - The actual age of the spouse was used in the valuation. This assumption is consistent with the assumption used for the previous valuation report.

Developments since the previous valuation - There were no changes to the rules governing payment and eligibility for the post- retirement medical aid benefits since the previous valuation. As far as assumptions are concerned only the discount rate and inflation rate which are dependent on the market at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with that used at the previous valuation unless otherwise stated.

As the liability only relates to pensioners the liability is fully accrued and there is no service cost. Allowance has been made in these calculations for the liabilities of South African Post Office to increase in line with medical inflation. For CFG pensioners with a fixed subsidy, we have assumed that no future increases will occur. Should any increases in the fixed subsidy be implemented in future, this liability will increase.

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Other assumptions				
Discount rate	11.22 %	12.68 %	11.22 %	12.68 %
Medical inflation increase rate	8.28 %	9.64 %	8.28 %	9.64 %
Long term price inflation	6.78 %	6.14 %	6.78 %	8.14 %

Provident fund

The South African Post Office (SOC) Limited provident fund (the fund) was established on 1 August 1993 to hedge the leave liability beyond a specific threshold. The fund became dormant on 1 April 2004 when all leave entitlement and salaries were capped.

In terms of a surplus apportionment scheme conducted by the fund some years ago, an Employer Surplus Reserve was created within the ambit of the fund and in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956, as amended) for the benefit of the South African Post Office (SOC) Limited.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable. The assets held by the fund are registered in the name of the fund.

As per the rules of the fund, the South African Post Office (SOC) Limited is required to meet the balance of cost of financing the benefits provided by the fund, which would include the any fund deficit. At year end, the South African Post Office (SOC) Limited met the balance of cost of financing the benefits provided by the fund. The Employer Surplus Reserve is available to fund future deficits should they arise.

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
The amounts recognised in profit and loss:				
Net interest (income) / cost	(2 116)	(2 694)	(2 116)	(2 694)
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of provident fund (actuarial (gains) / losses)				
Change in assumptions	1	4	1	4
Experience adjustment	21	(35)	21	(35)
	(2 094)	**(2 725)**	**(2 094)**	**(2 725)**
Actuarial assumptions: Provident fund				
These tables set out the impact on results as a consequence of changes to assumptions on the discount rate and the retirement mortality rates.				
Discount rate				
1% increase	547	557	543	557
Current Assumption	545	560	545	560
1% decrease	547	562	547	562
Post-retirement mortality rate				
1% increase		533		533
Current Assumption		560		560
1% decrease		566		566

The assumptions used are based on statistics and market data as at 31 March 2022. Financial markets are currently experiencing increased volatility. The Sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. As a significant proportion of the liability is expected to be paid out immediately, we have set the discount rate by using the average discount rate at 31 March 2022 based on the yields from the zero coupon government bond curve with a duration of between 0 and 3 years. The recommended discount rate is 5.46%. The source is the Johannesburg Stock Exchange through Inet BFA data service. The discount rate for the previous valuation was 4.74%.

Future inflation assumption - The benefit does not increase in future as such the general inflation assumption is not required. Net discount rate - The net discount rate is 5.46% per annum as the benefits do not increase in future.

Assets - We have been advised by the actuary to the Provident Fund that the Employer Surplus Account has an

Notes to the Financial Statements

estimated balance of R 47,746 million at 31 March 2022. For purposes of the valuation we have taken the asset value to be R 47,746 million.

Pre-retirement mortality - We have assumed that the pre-retirement mortality will be in line with SA585-90 (Light) table, rated down by three years for both male and female employees. This assumption is consistent with the assumption used for the previous valuation report.

Assumed retirement age - The normal retirement age of the group is 65 years. We have been advised that the average age for retiring members is 59 years of age. A retirement age of 59 years is assumed. For employees currently over age 59 we have provided for the immediate value of the benefit. This assumption is consistent with the assumption used for the previous valuation report.

Developments since the previous valuation - There were no changes to the rules governing payment and eligibility for the Provident Fund leave benefits since the previous valuation. As far as assumptions are concerned only the discount rate which are dependent on the market at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with that used at the previous valuation unless otherwise stated.

The accounting standard requires that the liabilities are valued using the Projected Unit Credit Method. This method was therefore used to value the liabilities. The service in respect of the leave days was fully accrued for.

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Other assumptions				
Discount rate	5.46 %	4.74 %	5.46 %	4.74 %
Expected return on plan assets	5.46 %	4.74 %	5.46 %	4.74 %
Long term price inflation	4.13 %	3.17 %	4.13 %	3.17 %

Pension fund

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.

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
The amounts recognised in profit and loss:				
Service cost	826	880	826	880
Net interest income	301 916	119 899	301 916	119 899
Remeasurements of post retirement fund (actuarial (gains) / losses)				
Changes in assumptions	258 202	118 661	258 202	118 661
Experience adjustment	(122 464)	(356 038)	(122 464)	(356 038)
Remeasurement of asset				
Asset ceiling	2 258 503	2 139 193	2 258 503	2 139 193
	2 696 983	**2 022 595**	**2 696 983**	**2 022 595**

Actuarial assumptions: Pension fund

These tables set out the impact on results as a consequence of changes to assumptions on the discount rate and the post-retirement age rating assumptions.

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Discount rate				
1% increase	5 133 900	4 613 673	5 133 900	4 613 673
Current assumption	5 489 960	4 913 416	5 489 960	4 913 416
1% decrease	5 892 586	5 253 221	5 892 586	5 253 221
Post-retirement age rating				
PA(90) +1	5 338 831	4 785 351	5 338 831	4 785 351
Current Assumption	5 489 960	4 913 416	5 489 960	4 913 416
PA(90) -1	5 640 107	5 043 300	5 640 107	5 043 300

The assumptions used are based on statistics and market data as at 31 March 2022. The assumptions are unbiased and mutually compatible.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have used the average nominal yield curve for SA Government bonds with duration of between 15 and 20 years as at 31 March 2022. The recommended discount rate is 11.91%. The source of the yield curve is the Johannesburg Stock Exchange through INET BFA data service. The discount rate assumption used for the previous valuation was 14.11%

Future inflation assumption - The general inflation assumption

Notes to the Financial Statements

is used to estimate the base rate for determining the rate at which the future salaries will increase. We have used the difference between nominal and real SA Government bonds with duration of between 15 and 20 years. The implied inflation assumption is therefore 7.38% per annum for future inflation. The source of the yield curves is the Johannesburg Stock Exchange through INET BFA data service. The inflation assumption used for the previous valuation was 9.23%

Future salary inflation assumption - It was assumed that the subsidies will increase in line with 1.00% in excess of general inflation, therefore 10.23% per annum. This is consistent with the assumptions of the previous valuation. The inflation assumption used for the previous valuation was 8.97%.

Net discount rate - Even though the actual values used for the discount rate and the expected increase in medical inflation are important, the gap between the two assumptions is more important. This gap is referred to as the net discount rate. The net discount rate for subsidy inflation is assumed to be 3.26% per annum (derived from a discount rate of 11.91% and the expected salary inflation rate of 8.38%). The net discount rate was 3.52% per annum at the previous valuation.

Pre-retirement mortality - We have assumed that the pre-retirement mortality will be in line with SA85-90 (light) table, rated down by 3 years for female employees. We have not allowed for death as a result of an injury arising in the course of employment with the Entity. This is consistent with the assumptions of the previous valuation.

Post-retirement mortality - The post-retirement mortality assumptions were based on the PA(90) mortality tables. This is consistent with the assumptions of the previous valuation.

Withdrawals - Given the small number of active DB members and their age profile, no specific allowance for withdrawals was made. This implies that the actuarial reserve value is available to provide benefits on voluntary exit and retrenchment. This is consistent with the assumptions of the previous valuation.

Assumed retirement age - The normal retirement age of the remaining active defined benefit members is 65 years. We have assumed, on average, that active members will retire early at age 59. This is the same assumption used at the previous valuation date. This is consistent with the assumptions of the previous valuation.

Marital status - An assumption has been made that 90% of members will be married at retirement with the male spouse being 3 years older than the female spouse. For retired members who are married, we have used the actual date of birth for the spouse where available. Where the spouses date of birth was not available we have assumed that the male spouse is 3 years older than the female spouse. This is consistent with the assumptions of the previous valuation.

Commutation - We have assumed that on retirement all DC pensioners would have commuted a third of their pension on retirement. We have further assumed that all DB–A members and DB–C members would have commuted at third of their pension on retirement. This is consistent with the assumptions of the previous valuation.

The accounting standard requires that the liabilities are valued using the Projected Unit Credit Method, and this method was therefore applied.

The Fund provides benefits of both Defined Benefit and Defined Contribution nature. The liability in respect of active defined benefit members was based on the actual past service of Members in the active service of the Company. The liability in respect of current pensioners is fully accounted for.

The liabilities, assets and reserve accounts relating to the Defined Contribution section of the fund were excluded from the valuation. In aggregate, these liabilities (and assets) amount to approximately R8 billion.

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Other assumptions				
Discount rate	11.91 %	14.11 %	11.91 %	14.11 %
Expected return on plan assets	11.91 %	14.11 %	11.91 %	14.11 %
Long term plan inflation	7.38 %	9.23 %	7.38 %	9.23 %
Expected contributions and maturity profile				
Expected contributions to the defined benefit plan in future years			**2022**	**2021**
Within the next 12 months (next annual reporting period)			1 929	98
Between 1 and 2 years			-	43
Between 2 and 5 years			8 102	285
Between 5 and 10 years			7 666	986
Beyond 10 years			6 067	516
			23 764	**1 928**

Maturity profile

The average term to retirement for actives is 7 years for 2022. The average duration for the pensioners is 19 years. For 2021 the average term to retirement is 8 years. The average duration for pensioners is 19.43 years.

The average duration retirement age for current employees pensioners is 12.61 (male) and 15.96 (female)

Notes to the Financial Statements

13. Inventories

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Merchandise	28 614	31 000	28 614	31 000
Consumables	20 326	27 725	19 931	27 618
	48 940	**58 725**	**48 545**	**58 618**
Inventories (write-downs)	(1 697)	(1 928)	(1 697)	(1 928)
Total inventories net of write-downs	**47 243**	**56 797**	**46 848**	**56 690**

Inventory pledged as security

No inventory has been pledged as security for liabilities.

14. Trade and other receivables

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Financial instruments:				
Trade receivables	205 285	506 877	196 742	497 847
Loss allowance	(34 081)	(73 130)	(30 704)	(69 921)
Trade receivables at amortised cost	**171 204**	**433 747**	**166 038**	**427 926**
Deposits	783	783	-	-
Amounts due from subsidiaries	-	-	5 526	4 032
Deferred loss on hedges	559	2 735	-	-
Money and postal orders	18 533	9 197	13 944	7 469
International debtors	144 101	158 050	144 101	158 050
Uncleared control accounts and other receivables (net of impairment)	1 478 151	1 164 390	1 477 936	1 164 162
Non-financial instruments:				
VAT	2 259	2 562	-	-
Employee costs in advance	2 801	2 706	2 801	2 706
Total trade and other receivables	**1 818 391**	**1 774 170**	**1 810 346**	**1 764 345**

Exposure to credit risk

The following table provides information about the exposure to credit risk and ECL's for trade receivable from individual customers as at 31 March 2022:

Notes to the Financial Statements

	Group			
31 March 2022 (R'000)	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
0 - 30 days	5.04 %	171 652	8 612	No
31 - 60 days	6.44 %	5 807	374	No
61 - 90 days	12.42 %	2 977	370	No
91 - 120 days	62.90 %	124	78	No
More than 120 days past due	99.68 %	24 725	24 647	Yes
		205 285	**34 081**	

	Company			
31 March 2022 (R'000)	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
0 - 30 days	4.97 %	166 015	8 248	No
31 - 60 days	6.44 %	5 807	374	No
61 - 90 days	12.42 %	2 977	370	No
91 - 120 days	62.97 %	124	78	No
More than 120 days past due	99.15 %	21 819	21 634	Yes
		196 742	**30 704**	

Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Trade receivables impaired

As of 31 March 2022, trade and other receivables of Group R34 081 (2021: R73 130) and Company R30 704 (2021: R69 921) were impaired and provided for.

Management believes that all amounts that are past due by more than 120 days are not collectible, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customer's credit ratings if they are available. There is no enforcement activity with regards to impaired trade receivables.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

Notes to the Financial Statements

	2022	2021	2022	2021
	Impairment	**Impairment**	**Impairment**	**Impairment**
Balance as at 1 April	73 130	74 457	69 922	71 114
Amounts written off	-	-	-	-
Net remeasurements of loss allowance	(39 049)	(1 327)	(39 218)	(1 193)
Balance as at 31 March	**34 081**	**73 130**	**30 704**	**69 921**

IFRS 9 allows an entity to use a simplified provision matrix for calculating expected losses as a practical expedient (e.g., for trade receivables), if consistent with the general principles for measuring expected losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

The provision matrix and default rates applied (unadjusted) is set out as:

	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 120 days	Greater than 120 days
Group	5.04 %	6.44 %	12.42 %	62.90 %	99.68 %
Company	4.97 %	6.44 %	12.42 %	62.97 %	99.15 %

The company define a default on trade receivables as a non-payment of the trade receivable within 120 days after the issue of the invoice.

The company has applied the practical expedient of IFRS 15.63, which permits the company not to adjust the transaction price for the effects of a significant financing component if, at contract inception, it expects the period between the customer payment and the transfer of services to be less than or equal to one year.

For trade receivables, repayment is due at the end of the month following the invoice date (which is on average between 30 and 60 days). The company applies a historic loss rate, adjusted to reflect economic conditions and macro-economic factors. The company determined that the unemployment rate was the most appropriate macro-economic factor that can affect the credit losses of the company.

The unemployment rate that is applied to adjust the historic default rate is 8.62% (2021: 11.68%) and will cater for the downturn in the economic environment due to the impact of COVID-19.

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 60 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional and does not contain a significant financing component. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost.

Notes to the Financial Statements

15. Prepayments

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
IT solutions paid in advance				
Services receivable within a year	**2 418**	**2 384**	**2 418**	**2 384**

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.

16. Cash and cash equivalents

Cash and cash equivalents include cash on hand and actual bank balances and investments in money market instruments.

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Cash on hand	69 065	100 878	69 043	100 869
Bank balances	360 692	1 338 919	360 071	1 337 717
Short-term deposits	24 825	23 150	-	-
Other cash and cash equivalents	151 060	186 361	151 060	186 361
	605 642	**1 649 308**	**580 174**	**1 624 947**

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Notes to the Financial Statements

17. Non-current assets held for sale

Management has committed to a plan to sell certain properties. Accordingly, this is presented as a disposal group held for sale. Efforts to sell the properties concerned have started and sales are expected to be concluded the following financial year.

Assets held for sale are stated at fair value and comprised of the following assets:

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Assets and liabilities				
Non-current assets held for sale				
Property, plant and equipment	35 712	-	35 712	-
Investment property	91 055	-	91 055	-
	126 767	**-**	**126 767**	**-**
Assets of disposal groups				
Investment property	17 600	-	-	-
	144 367	**-**	**126 767**	**-**

Fair value hierarchy

The non-recurring fair value measurement have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

Recognition

The group has elected to disclose major classes of assets and liabilities classified as held-for-sale in the notes.

Non-current assets, comprising assets, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Notes to the Financial Statements

18. Share capital

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Authorised				
1 000 000 000 Ordinary shares of R1 each	**1 000 000**	**1 000 000**	**1 000 000**	**1 000 000**
Reconciliation of number of shares issued:				
Reported as at 01 April	8 164 116	8 164 116	8 164 116	8 164 116
Issue of shares – ordinary shares	-	-	-	-
	8 164 116	**8 164 116**	**8 164 116**	**8 164 116**
Issued				
Ordinary shares of R1 each	**8 164 116**	**8 164 116**	**8 164 116**	**8 164 116**

At year end, there are 306 884 118 unissued ordinary shares. This authority remains in force until the next annual general meeting.

19. Mark-to-market reserve

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

Financial assets classified as subsequently measured at fair value through other comprehensive income, with fair value gains and losses recognised directly in other comprehensive income as the reserve for valuation of investments (mark-to-market reserve). The market approach is used under IFRS 13 in the determination of the fair value of unlisted shares for which no reference can be made to quote market prices. Refer to note 10.

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Investments at fair value through other comprehensive income	**(3 653)**	**4 537**	**(3 653)**	**4 537**

Notes to the Financial Statements

20. Borrowings

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Held at amortised cost				
Postbank SOC Ltd	**207 897**	**202 750**	**207 897**	**202 750**

The loan is unsecured and carries interest at the publicly quoted interest rate, compounded monthly in arrears.

The loan represents an internal, inter-divisional, balance that was converted to a company-level liability as a consequence of the separation of Postbank from SAPO. The loan has no fixed terms of repayment. It is classified as current on the basis that SAPO has no contractual right to unilaterally defer settlement of the liability for at least twelve months after the reporting period.

Split between non-current and current portions				
Current liabilities	**207 897**	**202 750**	**207 897**	**202 750**

21. Deferred tax

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Deferred tax liability				
Property plant and equipment	(19 324)	(18 748)	-	-
Deferred Lease	-	(13)	-	-
Total deferred tax liability	**(19 324)**	**(18 761)**	**-**	**-**
Deferred tax asset				
Income received in advance	-	1 390	-	-
Provisions	2 862	2 413	-	-
Deferred lease	562	-	-	-
Deferred tax balance from temporary differences other than unused tax losses	3 424	3 803	-	-
Tax losses avail for set off against future tax in	1 706	2 344	-	-
	5 130	**6 147**	**-**	**-**
Total deferred tax asset	**5 130**	**6 147**	**-**	**-**
Deferred tax liability	(19 324)	(18 761)	-	-
Deferred tax asset	5 130	6 147	-	-
Total net deferred tax liability	**(14 194)**	**(12 614)**	**-**	**-**

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(12 614)	(17 857)	-	-
Investment property	(1 518)	(761)	-	-
Provisions	159	2 420	-	-
Deferred lease	10	5	-	-
Income received in advance	(515)	1 390	-	-
Increases (decreases) in tax loss available to set off against future taxable income	284	2 189	-	-
	(14 194)	**(12 614)**	**-**	**-**

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 Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Unrecognised deferred tax asset				
Available for sale financial assets adjustments	(10 221)	(11 418)	(10 221)	(11 418)
Tax loss	3 772 731	3 410 270	3 772 731	3 410 270
Government Subsidy	15 647	40 605	15 647	40 605
Deferred revenue	20 810	31 495	20 810	31 495
Provisions	511 420	568 472	511 420	568 472
Fixed assets	(448 192)	(374 154)	(448 192)	(374 154)
Financial instruments	(118)	(984)	(118)	(980,00)
	3 862 077	**3 664 286**	**3 862 077**	**3 664 290**
Unrecognised deferred tax asset for components of other comprehensive income				
Tax effect of items recognised in other comprehensive income for which no deferred tax asset has been recognised:				
Remeasurements on net defined benefit liability/asset	(60 707)	(42 195)	(62 930)	(43 713)
Gain on other financial assets adjustments	(986)	1 225	(1 023)	1 270
Gains on property revaluation	59 758	86 989	63 384	90 210
	(1 935)	**46 019**	**(569)**	**47 767**

22. Provisions

Reconciliation of provisions - Group - 2022							
	Opening balance	**Additions**	**Utilised during the year**	**Reversed during the year**	**Unwinding of provision**	**Change in discount factor**	**Total**
Site restoration	150 777	-	-	-	6 706	(702)	156 781
General provision	39	-	-	-	-	-	39
Leave pay	185 090	178 946	(185 090)	-	-	-	178 946
Contractual 13th cheque	-	150	-	-	-	-	150
Long service cash awards	42 436	5 108	(19 155)	-	-	-	28 389
Long service leave awards	17 642	3 070	(5 156)	2 000	-	-	17 556
	395 984	**187 274**	**(209 401)**	**2 000**	**6 706**	**(702)**	**381 861**

Notes to the Financial Statements

Reconciliation of provisions - Group - 2021							
	Opening balance	Additions	Utilised during the year	Reversed during the year	Restatement	Change in discount factor	Total
Site restoration	268 459	-	-	(3 407)	(179 992)	65 717	150 777
General provision	14 495	-	-	(14 456)	-	-	39
Leave pay	177 032	181 065	(173 007)	-	-	-	185 090
Contractual 13th cheque	73	-	1	(73)	-	-	78 863
Long service cash awards	37 747	6 756	(7 191)	5 124	-	-	42 436
Long service leave awards	14 575	2 937	(1 794)	1 924	-	-	17 642
	512 381	**190 758**	**(181 992)**	**(10 888)**	**(179 992)**	**65 717**	**395 984**

Reconciliation of provisions - Company - 2022							
		Opening balance	Additions	Utilised during the year	Unwinding of provision	Change in discount factor	Total
Site restoration		150 777	-	-	6 706	(702)	156 781
General provision		39	-	-	-	-	39
Leave pay		185 090	178 946	(185 090)	-	-	178 946
Long service cash awards		40 473	4 832	(18 593)	-	-	26 712
Long service leave awards		17 642	3 070	(3 156)	-	-	17 556
		394 021	**186 848**	**(206 839)**	**6 706**	**(702)**	**380 034**

Reconciliation of provisions - Company - 2021							
	Opening balance	Additions	Utilised during the year	Reversed during the year	Restatement	Change in discount factor	Total
Site restoration	268 458	-	-	(3 406)	(179 992)	65 717	150 777
General provision	14 495	-	-	(14 456)	-	-	39
Leave pay	177 032	181 065	(173 007)	-	-	-	185 090
Long service cash awards	36 007	6 554	(7 191)	5 103	-	-	40 473
Long service leave awards	14 575	2 937	(1 794)	1 924	-	-	17 642
	510 567	**190 556**	**(181 992)**	**(10 835)**	**(179 992)**	**65 717**	**394 021**

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Non-current liabilities	69 337	106 588	68 789	105 468
Current liabilities	312 524	289 396	311 245	288 553
	381 861	**395 984**	**380 034**	**394 021**

Site restoration

The provision relates to decommissioning costs that are expected to be incurred upon termination or conclusion of property rental lease agreements where the company is currently or has previously been the lessee. It is uncertain whether these leases will be extended or terminated earlier, which creates uncertainties regarding the amount and timing of the cash flows.

The Universal Service Obligations (USO) obliges the South African Post Office (SOC) Limited to maintain its presence in South Africa (SA), especially in rural SA. Therefore, the South African Post Office (SOC) Limited might not reduce the number of leasehold premises but continue to establish its presence in strategic buildings.

Assumptions and methodologies used in the calculation of this provision:

Site restoration is determined where there is a possibility of a restoration obligation arising. Site restoration is provided for active rental contacts, as well as for arrears contacts where the company is still in occupation.

The company has maintained records of actual site restorations performed. Prior restoration costs are inflation-adjusted to determine average restoration costs per square meter for rental properties each year. Average costs per square meter are applied to individual rentals to arrive at current restoration estimates. There are select landlords who do accept three months rental or more, instead of a site restoration being performed, and therefore monthly rental amounts are also considered in arriving at restoration estimates. Evidence suggests that around six months of rental payments approaches the estimates arrived at based upon square meterage. For each property which may require site restoration, the company applies the highest of the two estimates to ensure that liabilities for restoration might not easily be underestimated.

The initial present value estimate of site restoration costs is capitalised in terms of the relevant lease agreements, and a corresponding provision (liability) recognised. Depreciation is straight-lined over the remaining lease period. Where there is no more rental contract (non- renewed) the site restoration liability is not written off but maintained until site restoration in performed. The current liability portion of site restoration is determined based upon rental contracts that will expire within the next 12 months. The current liability includes expired rentals from previous years.

The future value of each rental is calculated to the end of its remaining lease term, using the present value, being the current estimated cost of site restoration, and applying the SA prime rate as the interest rate. Interest arrived at for each of the remaining rental years is expensed each year. Where there is no more rental contract, no more interest is expensed as there is no more lease term.

General provision

Employees can elect to join a Bargaining Unit for 13th cheque payments or employees appointed on a TCTC basis may elect to structure their package for a 13th cheque payment. 13th cheque payments for Bargaining Unit's members are paid in the employees bonus date and TCTC 13th cheque payments are made in December.

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

Notes to the Financial Statements

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

A restricted number of employees are members of the leave provident fund. This provident fund provides for leave in excess of 60 days at a specific point in time. No additional employees may become members of this fund. Leave in this fund can only be encashed when the employee retires or resigns and cannot be utilised as leave. As provident fund assets are sufficient this leave is not accrued by the Company.

Contractual 13th cheque

Relating to The Document Exchange (Pty) Ltd:

An obligation arises based on a percentage of an employee total cost to company deducted monthly to be paid out in the month of December every year. The amount is certain and the likelihood of cash flow is very high.

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.

Long service leave awards

The Group has a policy of increasing leave days when employees reach ten years of service and for every ten years thereafter 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.

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Actuarial assumptions and sensitivity analysis				
Long service cash awards				
Discount rate				
1% increase	26 986	48 626	26 964	40 626
Current assumption	28 388	42 936	28 388	42 436
1% decrease	29 989	44 906	29 959	44 406
Retirement age				
2% increase	33 618	48 864	33 618	48 864
Current assumption	28 388	42 326	28 388	42 326
1% decrease	22 969	35 576	22 969	35 576
Leave days				
Discount rate	18 349	16 785	18 349	16 785
1% increase				
Current assumption	17 556	17 642	17 556	17 642
1% decrease	16 228	18 580	16 228	18 580
Retirement age				
1% increase	19 845	20 277	19 845	20 277
Current assumption	17 538	17 642	17 538	17 642
1% decrease	15 182	14 930	15 182	14 930

Actuarial assumptions

The assumptions used are based on statistics and market data as at 31 March 2022.

Financial markets are currently experiencing increased volatility. The sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption

The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the best fit discount rate at 31 March 2022 based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is approximately 7,5 years. The recommended discount rate is 9,58%.

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

We have estimated the market's pricing of inflation by comparing the yields on index linked government bonds and long-term government bonds with a duration of 7.5 years. The implied inflation assumption is therefore 5,99% per annum for future inflation. Future salaries can be expected to increase in line with salary inflation. We assumed that salary inflation will

Notes to the Financial Statements

exceed general inflation by 1.0% per annum, i.e. 6,99% p.a.

Assets

The Company does not have any specific assets set aside to fund this liability. We have therefore not included any asset value in this report.

Net discount rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 2,42% per annum. (derived from a discount rate of 9,58% and the expected salary inflation rate of 6,99%). It should be noted that where a benefit does not increase in future the net gap is equal to the discount rate.

Pre-retirement mortality

We have assumed that the pre-retirement mortality will be in line with SA85-90 (Light) table, rated down by 3 years for female employees. This assumption is in line with the previous assumptions used.

Assumed retirement age

The normal retirement age of the group is 65 years. Evidence has shown that not all members are retiring at the normal retirement age. We have been advised that the average age for retiring members is 59 years of age. A normal retirement age of 59 years is assumed. For employees currently over age 59 we have assumed that they will retire immediately.

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Other assumptions				
Discount rate	10.68%	9.58%	10.68%	9.58%
Salary inflation increase rate	7.11%	6.99%	7.11%	6.99%
Long term price inflation	3.33%	2.42%	3.33%	5.99%
Leave encashment				
Discount rate				
1% increase	3 009 000	3 911 485	3 009 000	3 911 485
Current assumption	3 088 000	4 074 375	3 088 000	4 074 375
1% decrease	3 172 000	4 146 864	3 172 000	4 146 864
Retirement age				
2-year increase	3 347 000	3 667 808	3 347 000	3 667 898
Current assumption	3 088 000	4 074 375	3 088 000	4 074 375
2-year decrease	2 798 000	4 337 043	2 798 000	4 337 043

Notes to the Financial Statements

Actuarial assumptions

The assumptions used are based on statistics and market data as at 31 March 2022. Financial markets are currently experiencing increased volatility. The Sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption

The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the average yields from the zero-coupon government bond curve with a duration of between 4 and 5 years. The recommended discount rate is 7,02%. The source is the Johannesburg Stock Exchange through Inet BFA data service.

Net discount rate

The benefits do not increase and are pegged at the rate of applicable salary in 2001 or 2002 as applicable. The net discount rate is therefore 7.02% per annum.

Post-retirement mortality assumption

We have assumed that the pre-retirement mortality will be in line with SA85-90 (Light) table, rated down by 3 years for female employees. This assumption is in line with the previous assumptions used. This assumption is consistent with the assumption used for the previous valuation report.

Assumed retirement mortality assumption

The normal retirement age of the group is 65 years. Evidence has shown that not all members are retiring at exactly these ages. We have been advised that the average age for retiring members is 59 years of age. A normal retirement age of 59 years is assumed. For employees currently over age 59 we have assumed that they will retire in 1 years' time. This assumption is consistent with the assumption used for the previous valuation report.

Take-up rates assumption

We have assumed that the capped leave will be encashed on exit from the Company. This assumption is consistent with the assumption used for the previous valuation report.

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Other assumptions				
Discount rate	7.73%	7.02%	7.73%	7.02%
Expected return on plan assets	7.73%	7.02%	7.73%	7.02%
Long term price inflation	5.25%	4.24%	5.25%	4.24%

Notes to the Financial Statements

23. Trade and other payables

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Financial instruments:				
Trade payables	1 304 432	799 153	1 263 150	758 250
Postbank payable - SASSA Billing	827 528	600 482	827 528	600 482
Postbank payable - Daily settlement	1 992 606	2 996 687	1 992 606	2 996 687
Postbank payable - Value Added Tax	23 970	-	23 970	-
Money and postal orders	10 749	1 473	10 749	1 473
International trade payables	117 996	156 441	117 996	156 441
Employee related payables	2 219 901	1 452 460	2 219 901	1 452 460
Accrued expenses	631 226	686 627	622 995	678 381
Deposits received	79 204	78 412	78 951	78 171
Deferred gain on hedges	482	519	-	-
Other payables	120 888	86 989	116 055	83 039
Amounts due to subsidiaries	-	-	2 010	3 614
Non-financial instruments:				
Value Added Tax	436 793	278 576	436 474	278 234
	7 765 775	**7 137 819**	**7 712 385**	**7 087 232**

24. Financial liabilities at amortised cost

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Current liabilities	24 969	152 097	24 969	152 097

Financial liabiliites at amortised cost consists of an advance payment of R541 million received from SASSA. This financial liability is an interest free liability which was fair valued at the average market interest rate of 7.36%. This advanced payment is repaid through 10% deduction from the service charges payable to SAPO under each monthly invoice issued to SASSA, until such time that the advance payment received 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 Financial Statements

25. Contract liabilities

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Summary of contract liabilities				
Subscriptions - upfront members	**1 954**	**2 220**	**-**	**-**
Reconciliation of contract liabilities				
Opening balance	2 220	2 112	-	-
Change in timing of the right to consideration becoming unconditional	(266)	108	-	-
	1 954	2 220	-	-

Revenue on annual subscriptions (upfront membership) is recognised when control of the goods has transferred to the customer, which is the point at which the goods are delivered to the customer. The customer pays the transaction price at the point the purchase is made. All such payments are recognised as a contract liability until the goods have been delivered to the customer and revenue is recognised.

Notes to the Financial Statements

26. Deferred income

Deferred income consists of the following:

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	3 264	1 413	3 264	1 413
Franking mail revenue	1 047	1 092	1 047	1 092
Box revenue	71 031	108 164	71 031	108 164
Stamp and envelope revenue	1 681	1 712	1 681	1 712
Speed services revenue	51	101	51	101
Subscription fees	4 565	6 634	-	-
Total deferred income	**81 639**	**119 116**	**77 074**	**112 482**

Reconciliation of deferred income - Group 2022

	Opening balance	Additions	Recognised as revenue	Closing balance
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	1 413	3 264	(1 413)	3 264
Franking mail revenue	1 092	1 047	(1 092)	1 047
Box revenue	108 164	71 031	(108 164)	71 031
Stamp and envelope revenue	1 712	1 681	(1 712)	1 681
Speed services revenue	101	51	(101)	51
Subscription fees	6 634	4 565	(6 634)	4 565
	119 116	**81 639**	**(119 116)**	**81 639**

Notes to the Financial Statements

Reconciliation of deferred income - Group 2021				
	Opening balance	**Additions**	**Recognised as revenue**	**Closing balance**
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	655	1 413	(655)	1 413
Franking mail revenue	705	1 092	(705)	1 092
Box revenue	159 648	108 164	(159 648)	108 164
Stamp and envelope revenue	1 662	1 712	(1 662)	1 712
Speed services revenue	109	101	(109)	101
Subscription fees	6 761	6 634	(6 761)	6 634
	169 540	**119 116**	**(169 540)**	**119 116**

Reconciliation of deferred income - Company 2022				
	Opening balance	**Additions**	**Recognised as revenue**	**Closing balance**
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	1 413	3 264	(1 413)	3 264
Franking mail revenue	1 092	1 047	(1 092)	1 047
Box revenue	108 164	71 031	(108 164)	71 031
Stamp and envelope revenue	1 712	1 681	(1 712)	1 681
Speed services revenue	101	51	(101)	51
	112 482	**77 074**	**(112 482)**	**77 074**

Reconciliation of deferred income - Company 2021				
	Opening balance	**Additions**	**Recognised as revenue**	**Closing balance**
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	655	1 413	(655)	1 413
Franking mail revenue	705	1 092	(705)	1 092
Box revenue	159 649	108 164	(159 649)	108 164
Stamp and envelope revenue	1 662	1 712	(1 662)	1 712
Speed services revenue	109	101	(109)	101
	162 780	**112 482**	**(162 780)**	**112 482**

Deferred revenue

SAPO 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

Notes to the Financial Statements

The deferred revenue calculation is based on the mail delivery performance statistics for March. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

Franking mail revenue

The deferred revenue calculation is based on the assumption that ten (10) working days' revenue is unearned. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

Box revenue

The renewal cycle for the rental of the boxes is a calendar year from 1 January to 31 December however; the financial year for the Post Office is 1 April to 31 March. This means that only the revenue for three (3) months of the renewal cycle is earned for that financial year and the remaining nine (9) months of the renewal cycle is regarded as deferred revenue. The revenue deferred is expected to be recognised within nine (9) months after the reporting period.

The drop in box revenue can be attributed to a numerous factors, most notably, closure of Post Office Branches (which led to affected customers opting to terminate their Post Box service subscriptions), and macro-environmental issues such as greater sensitivity to pricing amongst our customers, increased competition from electronic alternatives to physical mail, and the impact of Covid on renewals, which – at present – must be done in person at post office branches.

Stamp and envelope revenue

The deferred revenue calculation is based on the assumption that ten (10) working days revenue is unearned. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

Speed services revenue

The deferred revenue calculation is based on the courier delivery performance statistics for March. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

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.

Relating to The Document Exchange (Pty) Ltd:
Subscription fees

Members pay the subscription fee annually, for twelve (12) month period. In cases where the membership overlaps between two financial years, the portion of the amount belonging to the subsequent financial year is the unearned revenue and is deferred to the next financial year. The revenue deferred is expected to be recognised over the remaining subscription period that falls within the new reporting period.

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27. Funds collected on behalf of third parties

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Agency services and collections	**467 893**	**376 924**	**467 893**	**376 924**

Funds collected from the customers of the company on behalf of 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.

28. Government grants

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Current liabilities				
Unutilised grants	**58 810**	**152 234**	**58 810**	**152 234**
Subsidy received				
Government grants unutilised in prior year	152 234	253 308	152 234	253 308
USO	542 655	492 085	542 655	492 085
Government grants utilised Utilised for DTT	(75 429)	(81 825)	(75 429)	(81 825)
Unwinding of SASSA Grant	(6 359)	(18 467)	(6 359)	(18 467)
Utilised for postal address roll-out	(11 636)	(782)	(11 636)	(782)
Utilised for USO	(471 874)	(427 900)	(471 874)	(427 900)
Value Added Tax (VAT)	(70 781)	(64 185)	(70 781)	(64 185)
Government grants unutilised	**58 810**	**152 234**	**58 810**	**152 234**

Notes to the Financial Statements

29. Revenue

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Revenue from contracts with customers				
Courier and parcel revenue	46 714	34 451	46 714	34 451
Postal services revenue	1 694 084	1 505 291	1 694 084	1 505 291
Financial services	1 256 295	1 417 961	1 256 295	1 417 961
Rendering of services	35 306	34 587	-	-
Other revenue	215	33 529	215	33 529
	3 032 614	**3 025 819**	**2 997 308**	**2 991 232**
Disaggregation of revenue from contracts with customers				
The group disaggregates revenue from customers as follows:				
Courier and parcel revenue				
Parcels	24 374	11 287	24 374	11 287
Speed services	22 340	23 164	22 340	23 164
	46 714	**34 451**	**46 714**	**34 451**
Postal services revenue				
Franking mail	67 235	62 890	67 235	62 890
Bulk mail	995 133	870 012	995 133	870 012
Secure mail	19 830	15 477	19 830	15 477
Sundry mail	4 562	3 421	4 562	3 421
Stamp and philately	43 769	34 088	43 769	34 088
Foreign	155 848	143 033	155 848	143 033
Envelope	27 628	29 306	27 628	29 306
Hybrid mail	142 781	74 080	142 781	74 080
Registered letters	68 280	57 086	68 280	57 086
Box and key	169 018	215 898	169 018	215 898
	1 694 084	**1 505 291**	**1 694 084**	**1 505 291**

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Financial services				
Motor licencing	401 147	370 345	401 147	370 345
Social grant	798 842	968 419	798 842	968 419
Money and postal orders	303	2 668	303	2 668
DTT	19 148	13 713	19 148	13 713
Municipality commission	3 979	8 779	3 979	8 779
National housing	10 224	19 979	10 224	19 979
Prepaid revenue	845	978	845	978
Lottery commission	3 167	3 044	3 167	3 044
Pay-a-bill commission	10 057	17 877	10 057	17 877
Fax & photocopier	2 835	4 411	2 835	4 411
Sundry retail	5 748	7 748	5 748	7 748
	1 256 295	**1 417 961**	**1 256 295**	**1 417 961**
Rendering of services				
Barcode rolls	1 670	1 578	-	-
Subscription revenue	28 219	28 998	-	-
Delivery messenger service	291	231	-	-
Daily delivery, Entry fees & Excess weight	5 126	3 780	-	-
	35 306	**34 587**	**-**	**-**
Other revenue				
Digital revenue	215	33 529	215	33 529
Total revenue from contracts with customers	**3 032 614**	**3 025 819**	**2 997 308**	**2 991 232**

Notes to the Financial Statements

30. Other operating income

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Other rental income	145 554	137 222	144 158	135 217
Remeasurement of right-of-use asset and lease liability	-	(175)	-	(175)
Bad debts recovered	20	10	20	10
Other recoveries	121 516	150 493	121 420	150 428
Sundry income	-	-	-	-
Reversal of site restoration provision	6 298	1 454	-	-
Other income	17 929	19 855	17 851	18 967
Government grants	489 869	447 148	489 869	447 148
	781 186	**756 007**	**773 318**	**751 595**

31. Other operating gains (losses)

		Group		Company	
Figures in Rand thousand	**Notes**	**2022**	**2021**	**2022**	**2021**
Gains (losses) on disposals, scrappings and settlements					
Property, plant and equipment	**3**	**(115 549)**	**(13 019)**	**(115 549)**	**(13 019)**
Foreign exchange gains (losses)					
Net foreign exchange loss		**(1 893)**	**(337)**	**(1 893)**	**(337)**
Fair value gains (losses)					
Investment property	5	53 828	(1 306)	45 684	4 689
Total other operating gains (losses)		**(63 614)**	**(14 662)**	**(71 758)**	**(8 667)**

Notes to the Financial Statements

32. Other operating expenses

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:				
Auditor's remuneration - external				
Audit fees	**29 146**	**23 597**	**28 063**	**23 015**
Remuneration, other than to employees				
Administrative and managerial services	1 368	1 402	-	-
Consulting and professional services	59 595	64 409	59 470	64 345
	60 963	**65 811**	**59 470**	**64 345**
Expenses by nature				
Other operating expenses are analysed by nature as follows:				
Lease expenses	414 771	365 519	414 606	365 242
Other expenses	253 772	479 961	249 687	476 948
Bank charges	221 335	246 276	221 194	246 021
Fines and penalties	134 503	12 194	134 503	12 088
Municipal expenses	228 862	229 041	225 707	226 087
Security	580 994	580 962	580 984	580 950
Telephone and fax	19 119	65 337	18 854	65 084
	1 853 356	**1 979 290**	**1 845 535**	**1 972 420**

Notes to the Financial Statements

33. Employee costs

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Employee costs				
Basic	2 546 937	2 702 703	2 532 471	2 688 381
Commissions	6 212	11 927	6 212	11 927
13th Cheque	146 223	169 950	144 935	168 739
Medical aid - company contributions	397 177	388 614	395 703	387 145
Unemployment insurance fund	28 298	26 553	28 166	26 432
Workers compensation assistance	23 593	16 636	23 593	16 636
Skills development levy	29 910	19 906	29 742	19 794
Other payroll levies	62	20	-	2
Leave pay provision charge	16 186	49 964	16 373	49 765
Home-owner's allowance	12 272	13 440	12 134	13 296
Motor scheme management	10 896	10 950	10 885	10 939
Training expenses	144	451	144	451
Other short-term costs	9 691	4 741	9 426	4 479
Retirement benefit plans	328 937	327 131	327 159	325 370
Termination benefits	109 514	1 534	109 514	1 534
	3 666 052	**3 744 520**	**3 646 457**	**3 724 890**

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34. Depreciation, amortisation and impairment losses

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Depreciation				
Property, plant and equipment	105 885	94 726	105 616	94 422
Right-of-use assets	403 527	347 294	401 785	345 320
	509 412	**467 758**	**507 401**	**439 742**
Amortisation				
Intangible assets	**6 356**	**11 244**	**6 356**	**11 244**
Impairment losses				
Allowance for inventory write-down	**-**	**(18)**	**-**	**-**
Total depreciation, amortisation and impairment				
Depreciation	509 412	442 020	507 401	439 742
Amortisation	6 356	11 244	6 356	11 244
Impairment losses	-	(18)	-	-
	515 768	**453 246**	**513 757**	**450 986**

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35. Investment income

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Dividend income				
Equity instruments at fair value through profit or loss:				
Unlisted investments - Local	**15 500**	**17 484**	**15 500**	**17 484**
Interest income				
Investments in financial assets:				
Bank and other cash	77 180	31 431	76 329	30 871
Interest on retirement benefit asset	979 074	756 040	979 074	756 040
Total interest income	**1 056 254**	**787 471**	**1 055 403**	**786 911**
Total investment income	**1 071 754**	**804 955**	**1 070 903**	**804 395**

36. Finance costs

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Lease liabilities	39 306	62 563	38 255	61 508
Interest paid (bank)	25	2 223	-	854
Unwinding of site restoration provision	6 706	-	6 706	-
Term loan interest	124 389	46 723	124 389	46 723
Finance charges attributable to post-retirement employee benefits	812 516	770 863	812 337	770 671
Total finance costs	**982 942**	**882 372**	**981 687**	**879 756**

37. Other non-operating gains (losses)

Fair value gains (losses)				
Post retirement medical aid and Provident fund asset	**112 201**	**219 833**	**112 201**	**219 833**

The fair value gains and losses recogised in other financial assets are derived from finacial assets subsequently measured at fair value through profit or loss and relate to Post retirement medical aid asset as well as Provident fund asset. Refer to note 12 for more detail.

Notes to the Financial Statements

38. Taxation

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Major components of the tax expense (income)				
Current				
Local income tax - current period	**275**	**1 420**	**-**	**-**
Deferred				
Originating and reversing temporary differences	**1 577**	**(5 240)**	**-**	**-**
	1 852	**(3 820)**	**-**	**-**
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	(6.07) %	(6.39) %	(31.25) %	(13.03) %
Disallowable charges	8.70 %	3.62 %	36.01 %	14.96 %
Net deferred tax not raised	(30.63) %	(25.23) %	(32.76) %	(29.93) %
	- %	**- %**	**- %**	**- %**

Notes to the Financial Statements

39. Cash generated from/(used in) operations

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Loss before taxation	(2 179 391)	(2 355 694)	(2 193 971)	(2 352 747)
Adjustments for:				
Depreciation and amortisation	515 768	453 246	513 757	450 986
Fair value gains in PRMA financial asset	(112 201)	(219 833)	(112 201)	(219 833)
Other operating expenses	158 361	86 999	100 067	84 546
Asset retirements and changes in accounting estimate	115 549	13 019	13 019	13 019
Fair value (gains) losses	(53 826)	1 306	(45 684)	(4 689)
Losses on foreign exchange	1 893	337	1 893	337
Other non-operating gains (losses)	-	-	-	(175)
Dividends received (trading)	(15 500)	(17 484)	(15 500)	(17 484)
Interest income	(1 056 254)	(787 471)	(1 055 403)	(786 911)
Finance costs	982 942	882 372	981 687	879 756
Borrowings (Postbank)	5 147	6 623	5 147	6 623
Government grants	(93 424)	(101 074)	(93 424)	(101 074)
Movements in operating lease assets and accruals	4 417	3 408	4 294	3 003
Movements in provisions	(20 129)	(174 762)	(19 992)	(173 458)
Movements in retirement benefit assets and liabilities	(138 395)	(155 170)	(138 485)	(154 818)
Changes in working capital:	-	-	-	-
Inventories	7 857	20 511	8 145	20 472
Trade and other payables	627 954	3 245 437	625 155	3 251 440
Trade and other receivables	(80 195)	(407 113)	(17 190)	(406 562)
Deferred income	(37 477)	(50 424)	(35 408)	(50 298)
Prepayments	(34)	(8)	(34)	(8)
Funds collected on behalf of third parties	90 969	206 519	90 969	206 519
Contract liabilities	(266)	108	-	-
Deposits from the public	7	-	7	-
	(1 276 228)	**650 852**	**(1 383 152)**	**648 644**

Notes to the Financial Statements

40. Tax paid

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Balance at beginning of the year	8	(119)	-	-
Current tax for the year recognised in profit or loss	(275)	(1 420)	-	-
Adjustment in respect of businesses sold and acquired during the year including exchange rate movements	(1 577)	-	-	-
Balance at end of the year	(1 976)	(8)	-	-
	(3 820)	**(1 547)**	**-**	**-**

41. Related parties

Relationships	
Ultimate parent	South African Government
Holding company	South African Post Office SOC Ltd (SA Post Office)
Subsidiaries	Refer to note 8
Shareholders with significant influence	The Department of Communication and Digital Technology
	National Treasury
Post employment benefit plan for employees	Post Office Retirement Fund
Other relationships	South African Government Entities

Intragroup transactions and balances

Balances and transactions between the Company and its subsidiaries, which are related parties of SAPO, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

Terms loans: Unsecured, interest free and no repayment date.

Terms receivables: Unsecured, interest at prime and no repayment date. Inter governmental transactions and balances

Inter governmental transactions and balances refers to transactions and balances between SAPO and other government entities.

Only individually significant transactions and balances are disclosed. According to the materiality framework of SAPO, the significant threshold is R100 million. Transactions and balances that are not at arm's length are considered to be significant even if they are below the R100 million threshold. All inter governmental transactions have been made at arm's length.

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Loan accounts - Owing (to) by related parties				
SA Post Office Properties (Bloemfontein) (Pty) Ltd	-	-	506	426
SA Post Office Properties (Cape town) (Pty) Ltd	-	-	(600)	(390)
SA Post Office Properties (East Rand) (Pty) Ltd	-	-	5 020	3 605
SA Post Office Properties (Port Elizabeth) (Pty) Ltd	-	-	(847)	(485)
SA Post Office Properties (Rossburgh) (Pty) Ltd	-	-	(562)	(2 739)
The Courier and Freight Group (Pty) Ltd	-	-	703 996	703 899
South African Social Services Agency	(24 969)	(152 097)	(24 969)	(152 097)
Amounts included in Trade Payables regarding related parties				
Post Office Retirement Fund	(768 760)	(436 784)	(768 760)	(436 784)
Postbank SOC Limited	(2 844 104)	(3 597 169)	(2 844 104)	(3 597 169)
South African Revenue Services (Employee tax & other taxes)	(486 689)	(238 957)	(486 689)	(238 957)
South African Revenue Services (Value added tax)	(443 893)	(276 014)	(443 893)	(276 014)
Telkom SA Limited	(118 540)	(172 193)	(118 540)	(172 193)
Other public entities	(84 097)	(66 129)	(84 097)	(66 129)
Amounts included in Trade Receivables regarding related parties				
South African Social Services Agency	93 876	337 176	93 876	337 176
Other public entities	(15 598)	27 298	(15 598)	27 298
Grant subsidy balance				
Department of Communications and Digital Technologies	(58 810)	(152 234)	(58 810)	(152 234)
Related party transactions				
Transactions with subsidiaries				
The Document Exchange (Pty) Ltd - Sales	-	-	1 484	7 048
Purchases from related parties				
Eskom SOC Limited	(34 863)	(104 998)	(34 863)	(104 998)
Telkom SA Limited	(326 100)	(398 821)	(326 100)	(398 821)
Other public entities	(84 091)	(66 109)	(84 091)	(66 109)

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Sales to related parties				
South African Social Services Agency	1 249 858	2 531 933	1 249 858	2 531 933
Other public entities	313 715	241 191	313 715	241 191
Postbank SOC Limited	118 056	145 482	118 056	145 482
Transactions with authorities & regulators				
South African Revenue Services (Employee tax & other taxes)	(232 356)	(274 335)	(232 356)	(274 335)
Unemployment insurance fund	(48 985)	(46 562)	(48 985)	(46 562)
Funds collected on behalf of third parties				
Eskom SOC Limited	-	119 683	-	119 683
Post Office Retirement Fund	(426 286)	(495 402)	(426 286)	(495 402)
South African Broadcasting Corporation Limited	(98 358)	(131 330)	(98 358)	(131 330)
Other public entities	(28 551)	(49 750)	(28 551)	(49 750)
Other transactions				
Department of Communications and Digital Technologies - Grant subsidy	542 655	492 085	542 655	492 085
The remuneration of directors and other members of key management amounted to R23 899 million (2021: R34 573 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.				

Notes to the Financial Statements

42. Directors' and prescribed officers' emoluments

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

Executive 2022		Emoluments	Other benefits [1]	Compensation for loss of office	Arbitration award	Total
Ms NP Mona	2	3 992	-	-	-	3 992
Mr L Govender	3	2 126	77	-	-	2 203
Ms Z Ntsikeni	4	2 594	115	-	-	2 709
		8 712	**192**	**-**	**-**	**8 904**

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as CEO on 1 April 2021.
3. Appointed as Acting Group CFO on 1 June 2020 - 30 September 2020. Re-appointed as Acting Group CFO on 1 January 2021.
4. Appointed as GE: Operations on 1 April 2019. Appointed as Acting COO on 1 April 2021 - 31 August 2021.

Retired implies resigned, retired or dismissed.

Executive 2021		Emoluments	Other benefits [1]	Compensation for loss of office	Arbitration award	Total
Mr L Govender	2	1 024	109	-	-	1 133
Mr RG Kekana	3	1 636	253	122	-	2 011
Ms Z Ntsikeni	4	2 457	115	-	-	2 572
Ms LO Kwele	5	3 329	20	260	3 740	7 349
Ms R Langa	6	-	238	-	-	238
Mr IA Nongogo	7	1 122	358	88	-	1 568
Mr K Ramukumba	8	683	6	50	-	739
Mr PR Tsotetsi	9	-	-	-	-	-
		10 251	**1 099**	**520**	**3 740**	**15 610**

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Acting CFO on 1 June 2020 - 30 September 2020. Re-appointed as Acting Group CFO on 1 January 2021.
3. Appointed as CIO on 6 May 2019. Appointed as Acting COO on 23 March - 21 November 2020. Retired 21 January 2021.
4. Appointed as GE: Operations on 1 April 2019. Appointed as Acting COO on 1 April 2021 - 31 August 2021.
5. Appointed as GCOO on 5 June 2017. Suspended on 3 December 2019. Retired 31 January 2021.
6. Appointed as Acting CEO on 14 September 2020. Retired 31 March 2021.
7. Appointed as Acting GE: Governance and Compliance on 1 July 2018. Appointed as Acting CEO on 4 December 2019 - 24 July 2020. Retired 31 January 2021.
8. Appointed as GCFO on 1 October 2020. Retired 31 December 2020
9. Appointed as Acting GCFO on 1 March 2020. Retired 31 May 2020.

Retired implies resigned, retired or dismissed.

Notes to the Financial Statements

Non-executive 2022		Directors' fees	Other fees [1]	Other fees (Consultancy fees to subsidiary)	Total
Mr SLM Majombozi	2	355	-	-	355
Ms NP Ngonyama	3	303	-	-	303
Mr ET Lekgau	4	290	-	-	290
Mr ST Nkese	5	186	-	-	186
Ms S Phillip	6	124	-	-	124
Ms CM van der Sandt	7	607	-	-	607
Mr TJ Ntetho	8	247	-	-	247
Ms YLM Manzini	9	318	-	-	318
Ms N Pietersen	10	268	-	-	268
		2 698	**-**	**-**	**2 698**

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 as Acting Deputy on 2 September 2020.
3. Appointed 25 October 2019.
4. Appointed 1 September 2020. Resigned 14 February 2022.
5. Appointed 25 October 2019.
6. Appointed 4 September 2020.
7. Appointed as Deputy Chairperson on 25 October 2019. Resigned 6 August 2020. Re-appointed as Acting Chairperson on 7 August 2020. Resigned 5 January 2022.
8. Appointed 1 June 2021.
9. Appointed 3 September 2020.
10. Appointed 1 September 2020. Resigned 27 January 2022.

The note excludes the stamp advisory members which result in the difference between the expense amount and the disclosure amount.

Notes to the Financial Statements

Non-executive 2021		Directors' fees	Other fees [1]	Other fees (Consultancy fees to subsidiary)	Total
Mr SLM Majombozi	2	284	1	-	285
Ms NP Ngonyama	3	481	8	-	489
Mr ET Lekgau	4	302	1	-	303
Mr ST Nkese	5	518	6	-	524
Ms S Phillip	6	246	-	-	246
Ms CM van der Sandt	7	946	4	-	950
Ms YLM Manzini	8	256	-	-	256
Ms N Pietersen	9	293	-	-	293
Ms TC Makhubele	10	499	5	-	504
Mr S Manthakga	11	118	1	-	119
Mr KA Ramoadi	12	169	-	-	169
		4 112	**26**	**-**	**4 138**

1. Emoluments include both directors' fees for meetings and annual / quarterly retainer fees. Travel and accommodation expenses for members outside the Gauteng province.
2. Appointed as Acting Deputy Chairperson on 2 September 2020.
3. Appointed 25 October 2019.
4. Appointed 1 September 2020. Resigned 14 February 2022.
5. Appointed 25 October 2019.
6. Appointed 4 September 2020.
7. Appointed 25 October 2019 as Deputy Chairperson. Resigned 6 August 2020. Re-appointed as Acting Chairperson 7 August 2020. Resigned 5 January 2022.
8. Appointed 3 September 2020.
9. Appointed 1 September 2020. Resigned 27 January 2022.
10. Appointed 25 October 2019. Resigned 23 October 2020.
11. Appointed 1 May 2020. Resigned 20 August 2020
12. Appointed 5 October 2019. Resigned 20 August 2020.

The note excludes the stamp advisory members which result in the difference between the expense amount and the disclosure amount.

Notes to the Financial Statements

Prescribed officers 2022		Emoluments	Other benefits	Compensation for loss of office (Leave pay)	Total
Mr J Binedell	2	1 016	104	-	1 120
Mr D Dada	3	1 721	23	-	1 744
Ms L Mabena	4	842	132	-	974
Mr B Mgoza	5	2 440	9	-	2 449
Ms K Rapoo	6	1 451	-	-	1 451
Mr N Ruthnam	7	744	66	83	893
Ms Sontange	8	1 360	57	-	1 417
Mr G Bataille	9	538	4	-	542
Mr M Sibiya	10	1 033	37	-	1 070
Mr Motjale	11	393	4	240	637
		11 538	**436**	**323**	**12 297**

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Acting Chief Audit Executive on 28 October 2020.
3. Company Secretary from 01 August 2017.
4. Appointed as Acting GE: Human Resources on 01 March 2021 - 31 March 2022.
5. Appointed as GM: Real Estate on 01 August 2015.
6. Appointed as GM: Risk Management on 01 February 2003.
7. Appointed as Acting GE: Strategy on 7 July 2018. Retired 31 October 2021.
8. Appointed as Acting GE: Supply Chain Management on 5 December 2019.
9. Appointed as Acting GE: Strategy on 1 November 2021.
10. Appointed as Acting GE: Sales on 1 April 2021 - 31 March 2022.
11. Appointed as GE: Supply Chain Management. Precautionary suspension on 03 December 2019. Retired 31 May 2021.

Retired implies resigned, retired or dismissed.

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Prescribed officers 2021		Emoluments	Other benefits	Compensation for loss of office (Leave pay)	Total
Mr J Binedell	2	415	122	-	537
Mr D Dada	3	1 631	23	-	1 654
Ms L Mabena	4	70	1	-	71
Mr B Mgoza	5	2 313	9	-	2 322
Mr Motjale	6	2 222	23	-	2 245
Mr JT Nanyane	7	1 255	201	-	1 456
Mr CA Phillips	8	868	12	56	936
Ms K Rapoo	9	1 375	-	-	1 375
Mr N Ruthnam	10	1 207	231	-	1 438
Ms Sontange	11	1 292	177	-	1 469
Ms A Spies	12	982	311	29	1 322
		13 630	**1 110**	**85**	**14 825**

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Acting Chief Audit Executive on 28 October 2020.
3. Company Secretary from 1 August 2017.
4. Appointed as Acting GE: Human Resources on 1 March 2021.
5. Appointed as GM: Real Estate.
6. Appointed as GE: Supply Chain Management. Resigned 13 May 2021.
7. Appointed as Acting GE: Sales on 1 June 2018.
8. Chief Audit Executive. Retired 30 September 2020.
9. Appointed as GM: Risk Management.
10. Appointed as Acting GE: Strategy on 7 July 2018.
11. Appointed as Acting GE: Supply Chain Management on 5 December 2019.
12. Appointed as Acting GE: Human Resources on 18 September 2019 - 28 February 2021. Retired 31 March 2021.

Retired implies resigned, retired or dismissed.

43. Comparative figures and prior period errors Overview

The comparative figures for the separate and consolidated annual financial statements have been restated due to various errors and reclassifications. The Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 31 March 2020 is therefore presented in these consolidated financial statements due to the retrospective correction of errors.

Narrative disclosures have been provided only for individually or collectively material misstatements (i.e. those that could reasonably be expected to influence economic decisions users make on the basis of the financial statements). The quantitative threshold or qualitative considerations of the error, or a combination of both, were considered when determining whether the error is material or not.

The subsidiaries did not contain material changes from that which was previously disclosed, thus only the company's restatements and errors are presented below.

The effects of the restatements are as follows:

Notes to the Financial Statements

Company - 2021		Statement of Financial Position			
Figures in Rand thousand		**2021 (Previously stated)**	**Correction of account classification errors**	**Correction of account balances**	**2021 (Restated)**
Assets					
Non-current assets					
Property, plant and equipment	43.1 & 43.2	2 080 713	(98 152)	322 505	2 305 066
Loans to group companies	43.7	5 746	(5 746)	-	-
Right-of-use assets	43.2	625 377	98 152	(99 149)	624 380
Current assets					
Trade and other receivables	43.4 & 43.7	1 686 752	77 883	(290)	1 764 345
Loans to group companies		-	13 620	(13 620)	-
Cash and cash equivalents	43.4	1 715 747	(90 800)	-	1 624 947
Equity and liabilities					
Equity					
Reserves	43.1	(1 503 921)	-	(322 180)	(1 826 101)
Retained income (before loss for the year)	43.10	9 871 508	-	(184 596)	9 686 912
Non-current liabilities					
Lease liabilities	43.2	(349 227)	-	5 595	(343 632)
Provisions	43.3 & 43.5	(284 386)	-	178 918	(105 468)
Borrowings		(202 750)	202 750	-	-
Current liabilities					
Lease liabilities	43.2	(365 668)	-	113 802	(251 866)
Provisions	43.3 & 43.5	(368 490)	78 863	1 074	(288 553)
Trade and other payables	43.6 & 43.7	(6 985 404)	(78 913)	(22 915)	(7 087 232)
Funds collected on behalf of third parties	43.7	(381 745)	4 821	-	(376 924)
Borrowings	43.9	-	(202 750)	-	(202 750)
Effect on statement of financial position		**-**	**(272)**	**(20 856)**	**-**

Notes to the Financial Statements

Company - 2021	Statement of Profit or Loss and Other Comprehensive Income				
Figures in Rand thousand		**2021 (Previously stated)**	**Correction of account classification errors**	**Correction of account balances**	**2021 (Restated)**
Revenue	43.11	**2 896 847**	94 382	-	2 991 232
Other operating income	43.11	**850 645**	(98 604)	(442)	751 599
Other operating gains (losses)					
Foreign exchange gains (losses)		**-**	(337)	-	(337)
Gains (losses) on disposals, scrappings and settlements	43.1	**-**	(13 019)	-	(13 019)
Other operating expenses	43.11	**(1 732 235)**	(17 152)	(223 037)	(1 972 424)
Transport cost	43.11	**(105 838)**	22 755	-	(83 083)
Employee cost	43.11	**(3 730 228)**	5 338	-	(3 724 890)
Total depreciation, amortisation and impairments					
Depreciation of property plant and equipment	43.2 & 43.3	**(558 595)**	-	118 853	(439 742)
Impairments		**(2 247)**	2 247	-	-
Finance cost					
Unwinding of site restoration provision	43.3	**(23 606)**	-	23 606	-
Term loan interest	43.8	**(95 648)**	-	48 925	(46 723)
Finance leases	43.2	**(72 747)**	-	11 239	(61 508)
Fair value adjustments					
Post Retirement Medical Aid asset and Providend Fund asset		**215 718**	4 115	-	219 833
Net effect on loss for the year		**-**	**(272)**	**(20 856)**	**-**

Notes to the Financial Statements

Company - 2020		**Statement of Financial Position**			
Figures in Rand thousand		**2020 (Previously stated)**	**Correction of account classification errors**	**Correction of account balances**	**2020 (Restated)**
Assets					
Non-current assets					
Right-of-use assets	43.2	**937 589**	63 531	(279 602)	721 518
Property, plant and equipment	43.1	**2 051 477**	(63 531)	-	1 987 946
Intragroup loans and receivables	43.7	**4 895**	(4 895)	-	-
Current assets					
Trade and other receivables	43.4 & 43.7	**1 188 408**	126 937	-	1 315 345
Loans to group companies	43.7	**-**	164	(164)	-
Cash and cash equivalents	43.4	**1 686 205**	(131 400)	-	1 554 805
Equity and liabilities					
Equity					
Retained income (before loss for the year)	43.10	**9 715 138**	(1 123)	341 983	10 055 998
Net corrections in income statement		**-**	1 390	(368 378)	(366 988)
Non-current liabilities					
Borrowings	43.9	**(196 127)**	196 127	-	-
Lease liabilities	43.2	**(590 387)**	-	(5 131)	(595 518)
Current liabilities					
Lease liabilities	43.2	**(438 804)**	-	311 292	(127 512)
Trade and other payables	43.6 & 43.7	**(3 725 437)**	(66 246)	-	(3 791 683)
Funds collected on behalf of third parties	43.7	**(177 084)**	6 678	-	(170 406)
Borrowings	43.9	**-**	(196 127)	-	(196 127)
Provisions	43.3 & 43.5	**(328 891)**	68 495	-	(260 396)
Net effect on statement of financial position		**-**	**-**	**-**	**-**

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43.1 Property, plant and equipment

Land and buildings in property plant and equipment (PPE) were externally valued in 2017. Since 2017, there has been no further external valuation, nor internal re-valuation exercise performed. Management concluded, as a result, that the measurement of these assets had materially diverged from their valuation had the revaluation model been consistently applied in the years leading up to 2021.

An internal revaluation of PPE land and buildings was therefore performed in the current financial year, utilising the techniques and methodologies applied by the external valuers in 2017. The internal revaluation of PPE properties resulted in the recognition of new movements in PPE attributable to revaluation of land and buildings, as presented in the reconciliations of property, plant and equipment in note 3 to the AFS.

In addition the (2021) comparatives include R13,019k in previously ommitted losses on disposal of PPE.

The site restoration asset class (2021: R98,152k; 2020: R63,531k), previously accounted for under Property, plant and equipment, was moved to Right-of-use assets as it relates to assets leased by the Company.

43.2 Right-of-use assets

Lease liabilities (together with right of use (ROU) assets, depreciation (of ROU assets), and finance costs attributable to finance leases) were restated to account for corrections to the composition of the Company's underlying lease list, and changes to the discount rates applied. The correction also resulted in a R167k restatement of other income attributable to remeasurement of ROU asset and liability.

The site restoration asset class (2021: R98,152k; 2020: R63,531k), previously accounted for under Property, plant and equipment, was moved to Right-of-use assets as it relates to assets leased by the Company.

43.3 Site restoration provision

Management evaluated the Company's approach for determining the measurement of the site restoration liability provision, and flaws in the nature of inputs applied at the time led management concluded that a material overstatement of the provision for 2021 had occurred. A new methodology was developed in the current year and retrospectively applied, resulting in the restatement of the provision, with concommitant effects on property, plant and equipment, depreciation, and finance costs attributable to the provision.

43.4 Trade and other receivables

Changes to trade other receivables consist primarily of the effect reclassifications of Cash in transit accounts (R90,800k) which were previously accounted for as Cash and cash equivalents.

Amounts previously treated as loans to group companies (R5,526k) were reclassified as Trade and other receivables.

Additional amounts were reclassified out of funds collected on behalf of third parties and into trade and other receivables (R7,325k) (or payables) as relevant.

Within trade and other receivables, an amount previously accounted for as Employee costs in advance (R 77,462k) was moved to Other receivables.

43.5 Provisions

Contractual 13th cheques, previously accounted for as provisions (2021: R78,863), are now accrued for in Trade and other payables.

43.6 Trade and other payables

Changes to trade other payables consist primarily of the effect reclassifications and journals from loans to group companies, discussed in further detail below.

Further amounts were reclassified out of funds collected on behalf of third parties and into trade and other payables (R -5,171) (or receivables) as relevant.

Contractual 13th cheques, previously accounted for as provisions, are R78,863, are now accrued for in Trade and other payables.

43.7 Loans to group companies / Intragroup loans and receivables

In 2021, loans to group companies included amounts held or owed by SAPO on behalf of the property companies. Upon assessing the character of these amounts (R13,620), management determined that their treatment was incorrect, and reallocated them to trade and other receivables and

Notes to the Financial Statements

payables accordingly. In addition, adjustments were passed to align balances presented in SAPO's Financial statements with those recorded at subsidiary level where relevant. Loans to group companies were further classified as current, as they do not carry any payment terms.

43.8 Finance cost: Term loan interest

Finance costs in previous years included interest or R48,926k attributable to a loan with Postbank. Following an exercise by SAPO and Postbank to reconcile the loan between the two entities, it was determined that the interest should be derecognised retrospectively as the loan did not carry with it any terms that required SAPO to pay these amounts.

43.9 Borrowings

Borrowings were classified as current on the basis that SAPO has no contractual right to unilaterally defer settlement of the liability for at least twelve months after the reporting period.

43.10 Retained income

Restatements to retained income represents the cumulative effect of the corrections and reclassifications discussed above.

43.11 Revenue, Other operating income, Other operating expenses

Management evaluated the classifications of income statement items in the current financial year, with the objectives of yielding a classification scheme that reflected the true nature of income and expenditure items, achieving better alignment between externally reported information and that which is used internally for decision-making purposes, and enhancing the auditability of income statement items by disaggregating the amounts presented herein.

Corrective journals passed included entries related to short term leases (R 70 067) and intercompany adjustments (R66 805).

Notes to the Financial Statements

44. Financial instruments and risk management

Categories of financial in-struments

Group - 2022		Categories of financial assets				
	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss	Amortised cost	Total	Fair value
Other financial assets	10	129 986	503 476	-	633 462	633 462
Trade and other receivables	14	-	-	1 813 331	1 813 331	1 813 331
Cash and cash equivalents	16	-	-	605 642	605 642	605 642
		129 986	**503 476**	**2 418 973**	**3 052 435**	**3 052 435**

Group - 2021		Categories of financial assets				
	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss	Amortised cost	Total	Fair value
Other financial assets	10	133 639	1 246 380	-	1 380 019	1 380 019
Trade and other receivables	14	-	-	1 768 902	1 768 902	1 768 902
Cash and cash equivalents	16	-	-	1 649 308	1 649 308	1 649 308
		133 639	**1 246 380**	**3 418 210**	**4 798 229**	**4 798 229**

Notes to the Financial Statements

Company - 2022		Categories of financial assets				
	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss	Amortised cost	Total	Fair value
Other financial assets	10	129 986	503 476	-	633 462	633 462
Trade and other receivables	14	-	-	1 807 545	1 807 545	1 807 545
Cash and cash equivalents	16	-	-	580 174	580 174	580 174
		129 986	**503 476**	**2 387 719**	**3 021 181**	**3 021 181**

Company - 2021		Categories of financial assets				
	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value Amortised cost through profit or loss	Amortised cost	Total	Fair value
Other financial assets	10	133 639	1 246 380	-	1 380 019	1 380 019
Trade and other receivables	14	-	-	1 761 639	1 761 639	1 761 639
Cash and cash equivalents	16	-	-	1 624 947	1 624 647	1 624 947
		133 639	**1 246 380**	**3 386 586**	**4 766 605**	**4 766 605**

Notes to the Financial Statements

Group - 2022	**Categories of financial liabilities**			
	Note(s)	**Amortised cost**	**Total**	**Fair value**
Trade and other payables	23	7 328 982	7 328 982	7 328 982
Borrowings	20	207 897	207 897	207 897
Financial liabilities at amortised cost	24	24 969	24 969	24 969
Lease liabilities	4	354 271	354 271	354 271
Funds collected on behalf of third parties	27	467 893	467 893	467 893
		8 384 012	**8 384 012**	**8 384 012**

Group - 2021	**Categories of financial liabilities**			
	Note(s)	**Amortised cost**	**Total**	**Fair value**
Trade and other payables	23	6 859 243	6 859 243	6 859 243
Borrowings	20	202 750	202 750	202 750
Financial liabilities at amortised cost	24	152 097	152 097	152 097
Lease liabilities	4	607 300	607 300	607 300
Funds collected on behalf of third parties	27	376 924	376 924	376 924
		8 198 314	**8 198 314**	**8 198 314**

Company - 2022	**Categories of financial liabilities**			
	Note(s)	**Amortised cost**	**Total**	**Fair value**
Trade and other payables	23	7 275 911	7 275 911	7 275 911
Borrowings	20	207 897	207 897	207 897
Financial liabilities at amortised cost	24	24 969	24 969	24 969
Lease liabilities	4	343 632	343 632	343 632
Funds collected on behalf of third parties	27	467 893	467 893	467 893
		8 320 302	**8 320 302**	**8 320 302**

Company - 2021	**Categories of financial liabilities**			
	Note(s)	**Amortised cost**	**Total**	**Fair value**
Trade and other payables	23	6 808 998	6 808 998	6 808 998
Borrowings	20	202 750	202 750	202 750
Financial liabilities at amortised cost	24	152 097	152 097	152 097
Lease liabilities	4	595 518	595 518	595 518
Funds collected on behalf of third parties	27	376 924	376 924	376 924
		8 136 287	**8 136 287**	**8 136 287**

Notes to the Financial Statements

Capital risk management

Capital risk refers to the risk that the Group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business. The management of capital risk will ensure that opportunities can be acted on timeously while solvency is never threatened.

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 9, 24, 22 & 26, equity disclosed in note 18 and cash and cash equivalents disclosed in note 16 in the statement of financial position. Refer to note 49 for further context on the group's exposure to risk capital.

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 2022 and 31 March 2021 respectively were as follows:

		Group		Company	
Figures in Rand thousand		**2022**	**2021**	**2022**	**2021**
Financial liabilities at amortised cost	24	24 969	152 097	24 969	152 097
Deferred income	26	81 639	119 116	77 074	112 482
Provisions	22	381 861	395 984	380 034	394 021
Total borrowings		**488 469**	**667 197**	**482 077**	**658 600**
Cash and cash equivalents	16	605 642	1 649 308	580 174	1 624 947
Net borrowings		**117 173**	**982 111**	**98 097**	**966 347**
Equity		(4 081 666)	(2 037 374)	(4 098 659)	(2 049 449)
Gearing ratio		(3)%	(48)%	(2)%	(47)%

Notes to the Financial Statements

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

A comprehensive treasury policy has been compiled and approved by the board to ensure that all financial risks to which the group is exposed are understood and managed. The treasury policy covers all key areas of risk management namely identification, measurement, management and reporting of risk. Governance structures are in place to achieve effective independent monitoring and management of market risks through:

- The group's Asset and Liability Management (ALM) function that is responsible for the day to day monitoring, evaluation and reporting of all market risks;
- The board's Group Risk Committee which is responsible for ensuring that from a strategic perspective, risk is handled as an area of competitive advantage and a key source of innovation; and

Finance risk management objectives

The Group's ALM function monitors and manages market risks relating to the treasury operations of the Group through internal risk reports which analyze the degree and magnitude of risks. These risks include fair value interest rate risk, currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimize the effects of the negative impact of these risks by ensuring compliance with the treasury policy limits and benchmarks with regard to the following:

- Proposed money market investment strategies do not result in the breach of asset/liability mismatch gap limit;
- Ensuring that the net interest income volatility is within approved benchmark;
- Adequate overnight liquidity limit is complied with by having sufficient overnight callable balances;
- The South African Post Office (SOC) Limited's credit exposure in the investment portfolio is diversified across a range of acceptable counterparties and the maximum investment with a particular counterparty will be limited to 25% of the total counterparty should be limited to 50% + 1 of the total investment and not exceeding R25 million investments. Where the amount to be invested per counterparty is less than or equal to R50 million, the minimum investment with any one counterparty should be limited to 50% + 1 of the total investment and not exceeding R25 million; and
- Instruments limits are set to avoid excess concentration in any given financial investment instrument.

Overall the Group's main financial risk management objective is to ensure enhanced return within the risk profiles or parameters approved by the Board.

Fair value assumptions of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of foreign currency forward contracts is measured using quoted forward exchange rates and interest rate differential between local and foreign rates derived from quoted interest rates matching maturities of contracts.

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.

Notes to the Financial Statements

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 max-imum investment with any counterparty is limited to 25% of total investments. All counterparty limits are reviewed in line with the balance sheet growth and at least on an annual basis.

It is the responsibility of the Group ALM function to monitor compliance with the approved counterparty credit limits and any breach is reported to the monthly Group ALCO meeting.

All financial assets except for those that are measured at fair value through profit or loss are assessed to determine any evidence of impairment. Any deterioration in any counterparty credit rating is regarded as evidence of impairment. During the course of the year, there was no evidence of impairment observed in amortised cost financial assets and fair value through other comprehensive income (OCI) assets held by the group.

The group credit risk is considered to be limited because all its investment counter parties are major banks with high credit ratings and other investments are in Government and liquid corporate paper. The credit risk profile and quality of the group's investment counter parties is considered to be sound, well managed and commensurate with the risk appetite of the board.

Trade receivables

Trade receivables is exposed to credit risk due to the effect of macro-economic factors on the Group's customers.

The main identified macro-economic risks are those economic risks associated with the impact of COVID-19. The customers identified with a higher credit risk, are those customers with payments outstanding more than 120 days and the utilization of unused credit facilities.

Forward looking information considered was not determined to have a significant impact on the impairment allowance required to be recognised.

No significant changes in the inputs, assumptions and estimation techniques were noted.

Notes to the Financial Statements

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

Group		2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Other financial assets	10	633 462	-	633 462	1 380 019	-	1 380 019
Trade and other receivables	14	205 285	(34 081)	171 204	506 877	(73 130)	433 747
Cash and cash equivalents	16	605 643	-	605 643	1 649 308	-	1 649 308
		1 444 390	**(34 081)**	**1 410 309**	**3 536 204**	**(73 130)**	**3 463 074**

Company		2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Other financial assets	10	633 462	-	633 462	1 380 019	-	1 380 019
Trade and other receivables	14	196 742	(30 704)	166 038	497 847	(69 921)	427 926
Cash and cash equivalents	16	580 174	-	580 174	1 624 947	-	1 624 947
		1 410 378	**(30 704)**	**1 379 674**	**3 502 813**	**(69 921)**	**3 432 892**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet both expected and unexpected current and future cash flow needs without negatively affecting either the daily operations or the financial condition of the Group.

The Group's exposure to liquidity risk arises mainly as a result of the following:

- Unexpected withdrawal of cash by Postbank clients;
- Daily working capital requirements; and
- The Group has signed contracts with third parties where its retail network is used as a collection agent for municipalities and other institutions. All contracts stipulate that funds collected for third parties are paid over to them after 24 hours.

Liquidity risk is managed in terms of the board approved treasury policy with appropriate dashboard liquidity risk profiles which are monitored by the Group's ALM function. The management of liquidity risk and particularly the Group's cash flows is strongly focused on the short to medium term to ensure that the Group ALM function and the Treasury are quick to respond to immediate cash flow requirements under different stress scenarios. On a quarterly basis, the Group ALM function performs behavioural and stress analyses to identify business as usual as well as potential stress cash flow requirements.

The Group manages its daily liquidity by having cash reserves on overnight call balances of at least R250 million and maintaining overdraft credit facilities with all the major banks. The Group ALM function monitors the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities of the banking division.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Financial Statements

Group - 2022					
		Within one year	**Two to 5 years**	**After 5 years**	**Total**
Liabilities					
Trade and other payables	23	7 328 982	-	-	7 328 982
Borrowings	20	-	207 897	-	207 897
Financial liabilities at amortised cost	24	24 969	-	-	24 969
Lease liabilities	4	224 120	119 564	10 587	354 271
Funds collected on behalf of third parties	27	467 893	-	-	467 893
		8 045 964	**327 461**	**10 587**	**8 384 012**

Group - 2021					
		Within one year	**Two to 5 years**	**After 5 years**	**Total**
Liabilities					
Trade payables	23	6 859 243	-	-	6 859 243
Borrowings	20	-	202 750	-	202 750
Financial liabilities at amortised cost	24	152 097	-	-	152 097
Lease liabilities	4	260 920	310 321	36 060	607 301
Funds collected on behalf of third parties	27	376 924	-	-	376 924
		7 649 184	**513 071**	**36 060**	**8 198 315**

Notes to the Financial Statements

Company - 2022					
		Within one year	**Two to 5 years**	**After 5 years**	**Total**
Liabilities					
Trade payables	23	7 275 911	-	-	7 275 911
Borrowings	20	-	207 897	-	207 897
Financial liabilities at amortised cost	24	24 969	-	-	24 969
Lease liabilities	4	213 481	119 564	10 587	343 632
Funds collected on behalf of third parties	27	467 893	-	-	467 893
		7 982 254	**327 461**	**10 587**	**8 320 302**

Company - 2021					
		Within one year	**Two to 5 years**	**After 5 years**	**Total**
Liabilities					
Trade payables	23	6 808 998	-	-	6 808 998
Borrowings	20	-	202 750	-	202 750
Financial liabilities at amortised cost	24	152 097	-	-	152 097
Lease liabilities	4	249 138	310 321	36 059	595 518
Funds collected on behalf of third parties	27	376 924	-	-	376 924
		7 587 157	**513 071**	**36 059**	**8 136 287**

Foreign exchange risk

Foreign exchange risk is the risk of the decline in the earnings or realisable value in the net financial asset position of the group arising from adverse movements in foreign exchange rates. The group is exposed to foreign exchange risk as a result of exposures that arise from rendering of international postal services and products as well as capital imports that are sourced offshore. The Group manages the foreign currency exposures relating to international postal services through the utilisation of Universal Postal Union (UPU) approved netting agreements between South Africa and debtor and creditor countries. In the event where the exposure after netting exceeds the limit specified below, a forward foreign exchange contract is taken to hedge the foreign exchange risk.

The Group has a policy that manages foreign exchange risk arising from capital imports sourced off-shore by utilisation of forward foreign exchange contracts as documented in the board approved treasury policy. The treasury policy stipulates the following in respect of utilisation of forward cover

- No forward cover is required where the currency exposure is less than R1 million in value and a 1% adverse exchange rate move does not result in a R 0,5 million currency loss.
- Forward cover is taken where the exposure in respect of a specific foreign currency commitment is more than R 1 million rand 1% adverse move in the exchange rate results in the group experiencing a loss of more than R 0,5 million. Actions taken in managing foreign exchange risk at the group ALCO meetings are reported to the Group Risk Committee of the board on a quarterly basis.

At year-end the Group was exposed to the following foreign currency denominated financial assets and financial liabilities for which no forward cover had been taken out.

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Foreign currency exposure at the end of the reporting period		Group		Company	
		2022	2021	2022	2021
Financial Assets					
Euro		46	31	46	31
Special Drawing Rights		7 069	7 530	7 069	7 530
United States Dollar		1 081	828	1 081	828
Botswana		-	1	-	1
Financial Liabilities					
Euro		923	923	923	923
New Zealand Dollar		191	191	191	191
Special Drawing Rights		5 819	7 805	5 819	7 805
Swiss Franc		3	3	3	3
United States Dollar		2	12	2	12
Current assets					
Trade and other receivables	20	158 050	271 015	158 050	158 050
Current liabilities					
Trade and other payables	23	156 441	256 915	156 441	156 441

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 (2021: R0.1250 million currency gain).

Interest rate risk

Appropriate interest rate risk dashboard indicators are compiled to provide the ALCO members with the necessary interest rate risk information on a monthly basis, including a measure of compliance with approved limits and benchmarks.

Cash flow interest rate risk

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

	Group		Company	
Figures in Rand thousand	2022	2021	2022	2021
Increase (Decrease)				
1% increase in interest rates:	9 829	8 824	9 817	8 798
1% decrease in interest rates:	(9 829)	(8 824)	(9 817)	(8 798)

Notes to the Financial Statements

45. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2022						
	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	607 300	49 180	39 323	88 503	(341 532)	354 271
Financial liabilities at amortised cost	152 097	-	-	-	(127 128)	24 969
	759 397	**49 180**	**39 323**	**88 503**	**(468 660)**	**379 240**
Total liabilities from financing activities	**759 397**	**49 180**	**39 323**	**88 503**	**(468 660)**	**379 240**

Reconciliation of liabilities arising from financing activities - Group - 2021						
	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	731 140	198 207	(306)	197 901	(321 741)	607 300
Financial liabilities at amortised cost	313 435	-	-	-	(161 338)	152 097
	1 044 575	**198 207**	**(306)**	**197 901**	**(483 079)**	**759 397**
Total liabilities from financing activities	**1 044 575**	**198 207**	**(306)**	**197 901**	**(483 079)**	**759 397**

Reconciliation of liabilities arising from financing activities - Company - 2022						
	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	595 518	49 042	38 255	87 297	(339 183)	343 632
Financial liabilities at amortised cost	152 097	-	-	-	(127 128)	24 969
	747 615	**49 042**	**38 255**	**87 297**	**(466 311)**	**368 601**
Total liabilities from financing activities	**747 615**	**49 042**	**38 255**	**87 297**	**(466 311)**	**368 601**

Reconciliation of liabilities arising from financing activities - Company - 2021						
	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	723 030	193 377	2 393	195 770	(323 282)	595 518
Financial liabilities at amortised cost	313 435	-	-	-	(161 338)	152 097
	1 036 465	**193 377**	**2 393**	**195 770**	**(484 620)**	**747 615**
Total liabilities from financing activities	**1 036 465**	**193 377**	**2 393**	**195 770**	**(484 620)**	**747 615**

Notes to the Financial Statements

46. Fair value information

Fair value hierachy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Reconciliation of assets and liabilities measured at level 3				
Group & Company - 2022	**Note(s)**	**Opening balance**	**Gains (losses) recognised in other comprehensive income**	**Closing balance**
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**
Equity investments at fair value through other comprehensive income				
Unlisted shares	10	133 639	(3 653)	129 986
Total		**179 886**	**(3 653)**	**176 233**

Notes to the Financial Statements

Reconciliation of assets and liabilities measured at level 3				
Group & Company - 2021	**Note(s)**	**Opening balance**	**Gains (losses) recognised in other comprehensive income**	**Closing balance**
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**
Equity investments at fair value through other comprehensive income	10	129 103	4 536	133 639
Unlisted shares				
Total		**175 350**	**4 536**	**179 886**

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 re-valuation.

Notes to the Financial Statements

47. Commitments

Authorised capital expenditure

Capital expenditure authorised by the board of directors at reporting date, but not yet recognised in the annual financial statements are as follows:

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Already contracted for but not provided for:				
▪ Property, plant and equipment	38 368	47 348	38 368	47 303
▪ Intangible assets	5 659	1 718	5 659	1 718
Total commitments	**44 027**	**49 066**	**44 027**	**49 021**

Capital commitments treatment

Capital commitments are disclosed in respect of contracted amounts for which delivery is outstanding at the accounting date, as well as the amount of contractual commitments for the acquisition of property, plant and equipment.

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 borrowings.

Notes to the Financial Statements

48. Contingencies

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Contingent liabilities				
The following contingent liabilities were identified:				
Civil and Service providers	642 273	699 216	632 960	689 944
Labour cases	1 323	5 308	1 323	5 308
Total contingent liabilities	**643 596**	**704 524**	**634 283**	**695 252**

Civil and Service providers

Various proceedings were instituted against the SAPO Group during 2022 and the previous financial years. The amounts being claimed from the SAPO Group total approximately R644 million (2021: R705 million). The company's legal advisors believe that the company has reasonable defences against the claims and that the probability of loss will be minimal. Accordingly, no provision has been made in the annual financial statements with regard to these cases.

Included above are the following individually material claims:

1. An amount R494 million (2021: R494 million) being an alleged claim against South African Post Office for provisioning of infrastructure.
2. The Group also incurred various minor claims, the nature of these cases include amongst others the claims against SAPO relating to lost parcels, motor vehicle accident claims by third parties and damages suffered by service providers for late payment of invoices by the South African Post Office for services rendered or goods delivered.

South African Post Office is insured for motor vehicle accidents and thus these possible liabilities will be reimbursed by the insurance Company.

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Contingent assets				
Civil claims	**14 892**	**14 280**	**12 351**	**11 739**

Civil claims

The contingent assets include various cases were SAPO 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 Financial Statements

49. Going concern

The SA Post Office is a State-Owned Company with the mandate to achieve the priorities of Government in providing uni-versal access and affordable postal and financial services to all areas, including rural areas and small towns within the Republic of South Africa. The Post Office infrastructure and Post Office branch network exists to render these Universal Postal Services that all citizens are entitled to.

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

Material uncertainty

The conditions noted below resulted in a material uncertainty that might cast significant doubt on SAPO's ability to continue as a going concern:

- The Group recognised recurring operating losses of R2 181 million and R2 352 million for the years ended 31 March 2022 and 31 March 2021 respectively, as disclosed in the statement of comprehensive income.
- As at the reporting date, the Group was in net liability financial position, with total liabilities exceeding total assets by R4 082 million (2021: R2 037 million) and current liabilities exceeding current assets by R(6 657) million (2021: R4 988 million). This is reflected adversely in key financial ratios including the Group's gearing ratio, which stood at 1.65% (2021: 1.25%) on the reporting date.
- Instances of late payments to commercial and statutory creditors have occurred, and the ability of the Group to comply with loan agreements is constrained.
- Pending legal or regulatory proceedings against the Company exist that, if successful, may result in claims the Company is unlikely to have the means to meet.
- The Group experienced negative operating cash flows in the current financial year. These circumstances are projected to persist in over the next twelve months.
- The Group has experienced loss of key management without replacement.

Mitigating conditions: Shareholdes Intent

The SA Post Office is a State-Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas within the Republic of South Africa, including rural localities and small towns. SAPO's ongoing mandate to distribute social grants on behalf of SASSA is indicative of government's view of SAPO's role as integral to fulfilling the delivery of such government services in the foreseeable future.

SAPO's current duties include the provision of significant government services (such as distribution of grants and the delivery of Digital Terrestrial Television set-top boxes) that have social impact. In catering for communities low-income and rural that are underserved by commercial operators, SAPO's activities also alleviate critical market failures that, given their nature, are largely beyond the reach of the private sector to address.

Management current understanding of SAPO's status is that there is no intention from the Department/Ministry (as shareholder representative) and the Board to liquidate SAPO or to cease its operations. The support of the shareholder for SAPO to continue operating is demonstrated by the fact that National Treasury has granted, in the 2021 financial year, MTEF Funding of R1,6 billion allocated to fund the public service mandate for the 2022/23 to 2024/25 financial years. This indicates that the shareholder intends for SAPO to continue to render its legislative mandates at least until 31st March 2025.

Strategic Initiatives

Embodied in the 2022/23 – 2024/25 Corporate Plan is the company's modernization strategy. The strategy defines the path SAPO is following to repurpose as an e-commerce and logistics company that is anchored by technology and innovation to turn around its fortunes. Implementation of this strategy is guided by SAPO's Corporate Implementation Plan for 2022/23 and is currently underway.

The strategy plots SAPO a path to profitability by the 2024 financial year, on the strength of revenue growth initiatives such as new service lines (e.g. hybrid mail and the recently launched motor vehicle license renewal e-service), and optimisation of existing operations (e.g. consolidation of the current courier and parcel business).

In addition, SAPO has also adopted a cost reduction strategy that is expected to yield an average of R1 100 million in each of the three upcoming years.

Based on the above, management is of the opinion that the going concern assumption adopted is appropriate under the circumstances.

Notes to the Financial Statements

50. Fruitless and wasteful expenditure

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Opening balance	537 125	394 291	518 949	376 205
Add: Fruitless & wasteful expenditure - current year	187 831	127 740	187 860	127 650
Add: Fruitless & wasteful expenditure - prior year	54 806	15 094	54 806	15 094
Less: Fruitless & wasteful expenditure written-off in current year	(148 386)	-	(148 375)	-
Less: Fruitless & wasteful expenditure written-off - prior years	(499 823)	-	(487 913)	-
Closing balance	**131 553**	**537 125**	**125 327**	**518 949**
Analysis of awaiting condonation per age classification				
Current period	187 831	127 740	187 860	127 650
Prior years	(56 278)	409 385	(62 533)	391 299
Total fruitless & wasteful expenditure awaiting write-off	**131 553**	**537 125**	**125 327**	**518 949**

A breakdown of Fruitless & wasteful expenditure for SAPO includes:

The amount of R132 million for the 2022 financial year relates to fruitless & wasteful awaiting write-off for SAPO Group.

An amount of R188 million was incurred as a result of SAPO's financial constraints during the financial year, that can be broken down as follows:

- Interest of R186 million due to late payments
- Legal fees of R2 million due to late payments

Amounts written off

The board of directors adopted the Financial Misconduct Committee's recommendation to write-off an amount of R648 million from the balance of fruitless & wasteful expenditure as it was determined that the root cause is SAPO Group's poor cash flow, no employee is responsible, the expenditure cannot be recovered, no matter was referred to the South African Police Services and there were also no breakdown in designed internal controls.

Notes to the Financial Statements

51. Irregular expenditure

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Opening balance under investigation	1 827 462	1 448 153	1 776 119	1 380 867
Add: Irregular expenditure - current year	567 059	383 477	566 273	382 797
Add: Irregular expenditure - prior year	44 649	12 455	44 649	12 455
Add/less: Adjustments	-	(16 623)	-	-
Total irregular expenditure awaiting condonation	**2 439 170**	**1 827 462**	**2 387 041**	**1 776 119**
Analysis of awaiting condonation per age classification				
Current period	567 059	383 477	566 273	382 797
Prior years	1 872 111	1 443 985	1 820 768	1 393 322
Total irregular expenditure awaiting condonation	**2 439 170**	**1 827 462**	**2 387 041**	**1 776 119**

The South African Post Office (SOC) Limited started reporting on irregular expenditure in the 2011 financial year in accordance with the PFMA requirement and continued accordingly. The South African Post Office (SOC) Limited is addressing the root causes resulting in irregular expenditure and it should also be noted that a total solution will only be achieved in the medium term due to the interventions considered and currently being implemented.

SAPO has an established Financial Misconduct Committee (FMC) to review and to ensure that all Financial Misconducts within the SAPO Group of companies are managed in accordance with the requirements of the PFMA (Public Finance Management Act) and related regulations.

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

The amount of R2 439 million (2021: R1 827 million) irregular expenditure incurred by the Group, is still under investigation and awaiting condonation. It can be broken down as follows:

- Irregular expenditure of R2 387 million (2021: R1 776 million) incurred by the South African Post Office (SOC) Ltd company, awaiting condonation;
- Irregular expenditure of R6.7 million (2021: R5.9 million) incurred by The Document Exchange (Pty) Ltd, awaiting condonation;
- Irregular expenditure of R45.6 million (2021: R45.6 million) incurred by The Courier and Freight Group (Pty) Ltd, awaiting condonation.

SAPO Company

The amount of R2 387 million (2021: R1 776 million) incurred by the company includes an amount of Rnil (2021: R195 million) that relates to the investigations of a particular contract which was one of the items in the SIU and Public Protectors report.

Irregular expenditure to the value of R44.6 million incurred in the 2021 financial year, was only identified in the current financial year.

Notes to the Financial Statements

52. Material losses due to criminal conduct

	Group		Company	
Figures in Rand thousand	**2022**	**2021**	**2022**	**2021**
Other incidents (Fraud and Theft)	**105 243**	**114 343**	**105 243**	**114 434**

The South African Post Office (SOC) Limited considers losses of R32 million and above to be material. There has been no single incident in the financial year where the materiality threshold was breached.

53. Events after the reporting period

A non-adjusting event occurred after year-end. The Company issued instructions for withdrawals from the PRMA portfolio totaling R502 728 984. The intention of the withdrawal was to move the funds from Other financial assets to a Call account.

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

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