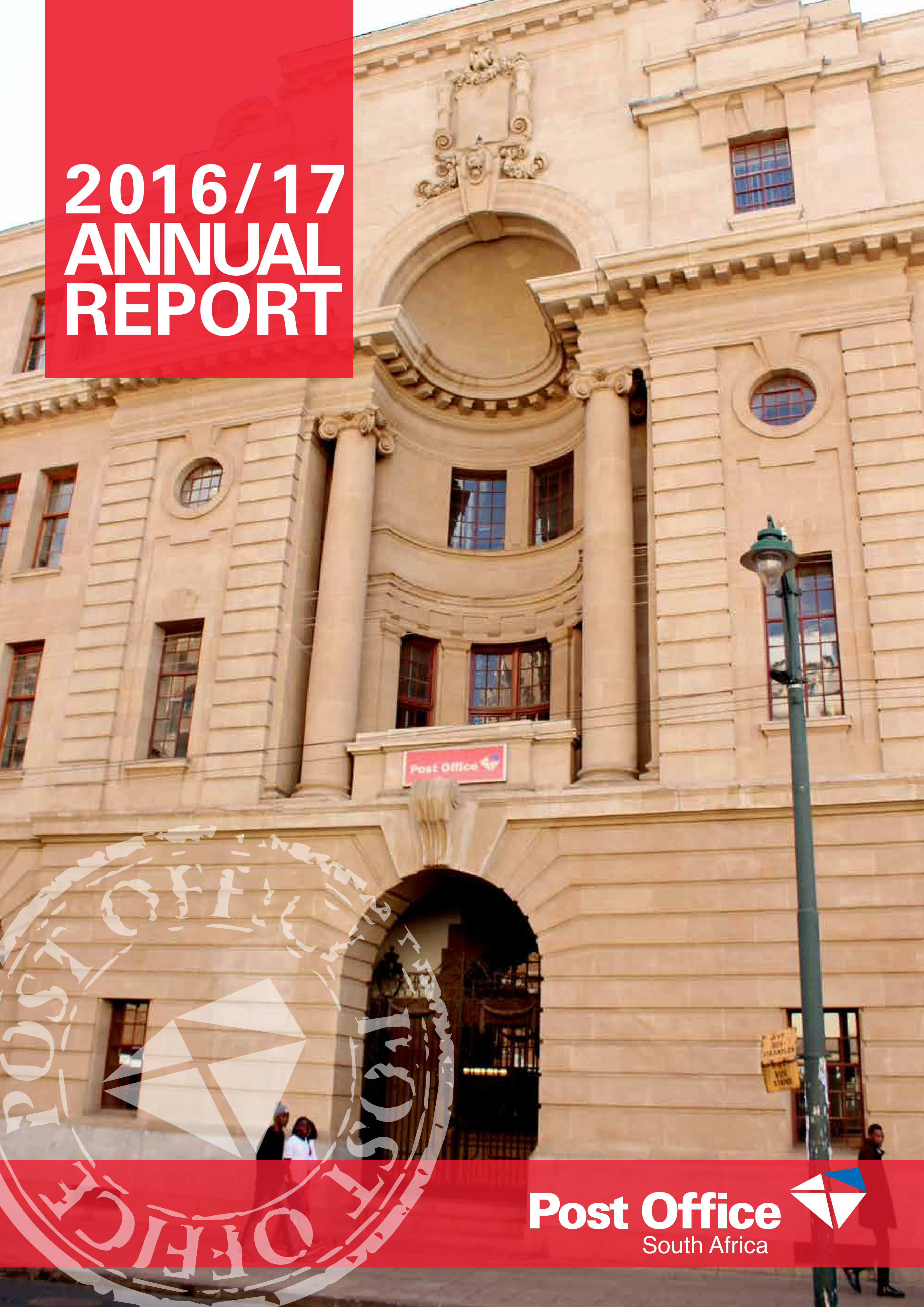
2016/17 ANNUAL REPORT



Post Office
South Africa

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FINANCIAL HIGHLIGHTS

Revenue declined by 4,1% from R4,7 billion in 2016 to R4,5 billion in 2017

Expenses declined by 3,8% from R5,8 billion in 2016 to R5,6 billion in 2017

Operating losses decreased by R166 million(17%) from R973 million in 2016 to R807 million in 2017

Loss before tax improved by 13,8% from R1,112 million in 2016 to R959 million in 2017

Net Asset Value improved from (R242 million) to R1,029 million in 2017

OPERATIONAL HIGHLIGHTS

Mail delivery standards improved by 12% to 73,6%

Audit Qualifications reduced by 60%

Postbank

Section 16 licence application lodged with SARB

Initial board of Directors appointed

215 000 new customer accounts

Labour

Labour stability achieved

5912 casual employees converted to permanent positions

Staff numbers reduced from 20781 to 18729

Appointments

Chief Financial Officer appointed 12 December 2016

Chief Operating Officer appointed 05 June 2017

Company Secretary appointed 01 August 2017


POS

PART A: GENERAL INFORMATION

ABBREVIATIONS / ACRONYMS

ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
CENTRIQ	Centriq Insurance Innovation (Pty) Ltd
CFG	The Courier and Freight Group (Pty) Ltd
Companies Act	The Companies Act, No. 71 of 2008 (as amended)
DOCEX	The Document Express (Pty) Ltd
DTPS	Department of Telecommunications and Postal Services
Financial Statements	Consolidated Audited Annual Financial Statements
ICASA	The Independent Communications Authority of South Africa
IFRS	International Financial Reporting Standards
IGF	Intermediaries Guarantee Facility Limited
IOD	Incidents on duty
IPC	International Post Corporation
ICT	Information and communications technology
IT	Information technology
KING III	The King Report on Corporate Governance III
MCP	Mail Collection Point
MD	Managing Director
MOI	Memorandum of Incorporation
MSP	Mail Service Point
MTEF	Medium-term expenditure framework
NCD	Negotiable Certificates of Deposits
NT	National Treasury
PAA	Public Audit Act
PFMA	Public Finance Management Act, No. 1 of 1999 (as amended)
PRMA	Post Retirement Medical Aid
RemCom	Remuneration Committee
ROE	Return on expenditure
RPL	Recognition of prior learning
SAAA	South African Accreditation Authority
SADC	Southern African Development Community
SA Post Office	The South African Post Office (SOC) Limited
SA Post Office Act	The South African Post Office Act No. 22 of 2011 (as amended)
SARS	South African Revenue Service
SASSA	Social Security Agency
SOC	State-owned company
STP	Strategic Turnaround Plan
SU	Support Unit
TCTC	Total cost to company
TTD	Temporary total disability
TVBC	Transkei, Venda, Bophuthatswana and Ciskei
UPU	Universal Postal Union
USO	Universal Service Obligation
VCCT	Voluntary confidential counselling and testing
WRE	Webriposte
WSP	Workplace skills plan

GENERAL INFORMATION

REGISTERED NAME:	South African Post Office SOC LTD
REGISTRATION NUMBER:	1991/005477/30
PHYSICAL ADDRESS:	Eco Point Building
	350 Witch-Hazel Avenue
	Eco Park, Centurion
	0157
POSTAL ADDRESS:	PO Box 10 000
	Pretoria
	0001
TELEPHONE NUMBER/S:	027 12 649 7000
EMAIL ADDRESS:	customer.services@postoffice.co.za
WEBSITE ADDRESS:	https://www.postoffice.co.za
EXTERNAL AUDITORS:	Auditor General of South Africa
BANKERS:	Standard Bank South Africa
ACTING COMPANY SECRETARY:	Mr JD Nieuwoudt

Vision

A leading provider of postal, logistics and financial services
that is responsive to market changes whilst achieving sustainable growth.

Mission

We facilitate communication and delivery of services by linking government, business and customers with each other across the world by leveraging our broad reach, employees, technology and innovation.

Values

We have a passion for our customers
and will meet their specific needs through excellent service
We aim to contribute positively to our communities and environment
We treat each other with respect, dignity, honesty and integrity
We recognise and reward individual contributions
We embrace diversity in the way we conduct business

LEGISLATIVE AND OTHER MANDATES

Mandate, Regulation and License

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

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

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

Regulation

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

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

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

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

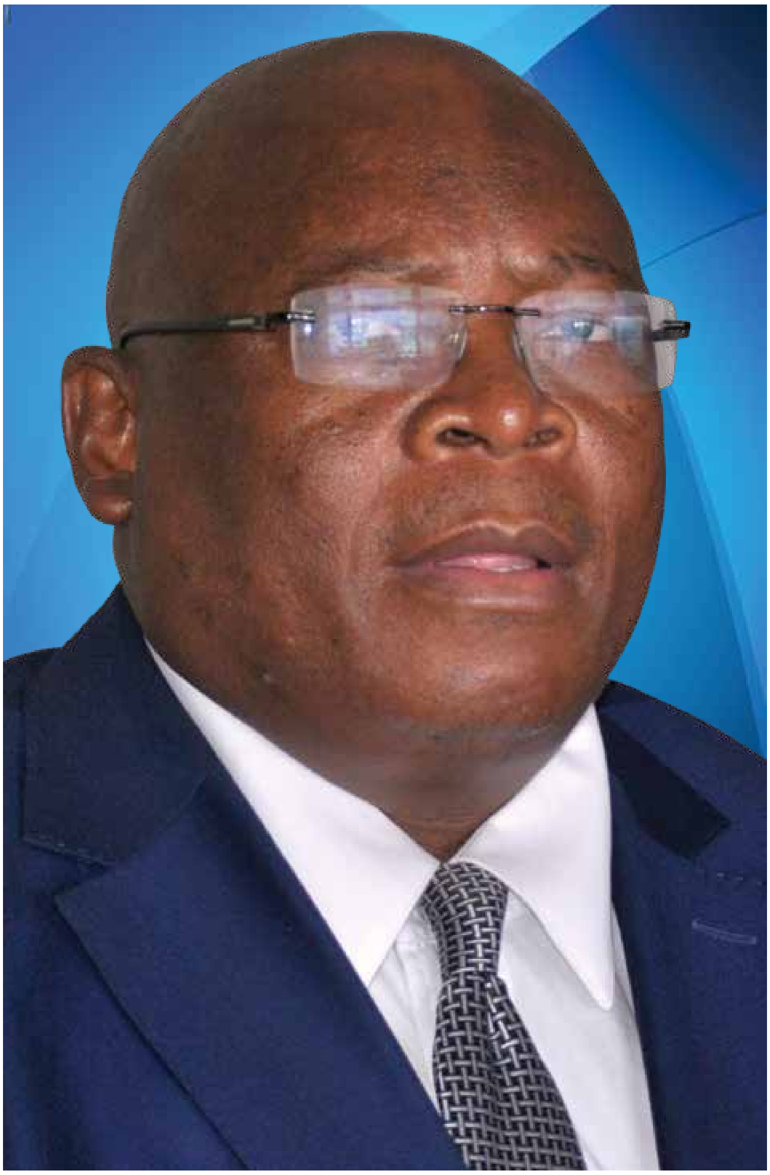
Legislative and Governance Framework

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 FIC and the Financial Services Board (FSB).

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

- SA Post Office Act No.22 0f 2011 (as amended);
- Postbank Act No. 9 of 2010 (as amended);
- Postal Services Act No. 124 of 1998.
- Public Finance Management Act No.11 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.

Acting Chairperson's Report



Comfort Ngidi - Acting Chairperson

The year under review remained challenging for both the postal sector and the economy as a whole. The outlook for the South African economy deteriorated as a result of lower commodity prices, higher borrowing costs and diminished confidence.

The difficult economic conditions put considerable pressure on the SA Post Office; over and above the more long term pressure that the postal sector worldwide due factors such as digital substitution. The evident way out for the postal industry is to reinvent itself and diversify its offering in order to remain relevant to its customers and the SA Post Office has been working on repositioning itself to play a more expanded role in the South African economy.

The SA Post Office has made significant progress in improving its public image, from an untrusted organisation after the prolonged labour dispute of 2014/15, to one that is making gradual, but steady progress to reclaim its rightful position in society and in the economy. This was underpinned by several factors such as settling of outstanding creditors and returning to operational stability.

Over the past year, a substantial amount of funding was sourced from the commercial banks and National Treasury. This funding was utilised mainly to settle historical salary obligations with staff pay thereby securing and stabilising work environment for 18 000 employees and also to pay long outstanding creditors.

More than 6800 casual employees were successfully converted to permanent employees. This had been a long outstanding historical legacy problem. The board also finalised the appointment of three senior executive positions, namely the COO, Ms Lindiwe Kwele, the CFO, Ms Nichola Dewar and the company secretary, Mr Dawood Dada and I would like to welcome the colleagues into the SAPO family.

As a result of settling outstanding debts, it was possible to once again procure services and goods that are essential for operations at the SA Post Office, and this led to a general stabilising of operations. Mail delivery standards in particular are showing a gradual improvement, which is very pleasing. The settlement of historical salary obligations with staff led to improved morale within the organisation.

As a result of sustained growth in e-commerce, the International Business Unit at the SA Post Office has seen increasing rising volumes of mail, in particular, parcels from abroad. Steps have been taken to start revamping operations at the international sorting centres and make sure that this growth area is serviced adequately and speedily.

Another potential growth area is the provision of services on behalf of Government. Postbank has submitted its application to become a fully- fledged bank, which will place the organisation in a better position to render a wider range of financial services to help stimulate growth of the South African economy and contribute toward financial inclusion.

The SA Post Office once again saw a year with stable labour relations. The Board is very appreciative towards organised labour, management and employees for this and hopes that the relationship of trust between management and organised labour will grow further.

Also, the exodus of skilled staff has stopped thanks to the improved outlook and more optimistic mood in the company. The focus of management has therefore shifted to improving service and utilising the skills of employees in the best possible way.

We appreciate the adoption of ICT Policy by cabinet which provides for SAPO to become the service provider for the distribution of social grants. We are looking forward to the implementation of the ICT polity and SAPO playing an active role in this implementation.

We are looking forward to supporting and assisting SASSA in fulfilling their mandate of paying social grants.

The board appreciates all the efforts by all role-players in ensuring the effective submission of the Postbank license, which moves South Africa closer to the establishment of a State bank, which has been a long outstanding matter.

We believe that going forward, it is necessary to revisit of the recapitalisation of SAPO with a view of making the Post Office self-sufficient. The question of funding of social mandate that SAPO has to deliver on, also has to be properly addressed by the State. The status quo is that SAPO subsidises provision of the social mandate, which situation is not sustainable.

The South African Post Office is slowly returning to its role as a trusted cornerstone of South African society. There remains much work to be done however. I would like to express my sincere thanks to the Board, Management and all employees for working together to rebuild the organisation, and I am looking forward to the Post Office reclaiming this position of trust in society.

I would to thank the CEO and his team for their support to the Board in achieving financial stability of the Post Office.

I would also like to thank the Minister of Telecommunications and Postal Services, Dr. Siyabonga Cwele, the DG Mr. Robert Nkuna and the team at the Department, for their continued support in rebuilding the Post Office.

Mr Comfort Ngidi

Acting Chairperson of the Board

Group Chief Executive Officer's Report

Mark Barnes - CEO

The loss before tax for the financial year ended 31 March 2017 improved by R153 million (13.8%), from R 1, 11 billion in the previous year to R959 million this year, despite continued difficult trading conditions. Group revenue reduced by 4,1%, from R4,73 billion to R4,54 billion over the period.

Cash flows increased marginally beyond the R650 million capital injection received on 1 April 2016. Long outstanding creditors were finally settled, as were labour relations, with the signing of a joint agreement with the recognised trade unions, to deal with historic wage and conditions of employment issues.

As a result of a revaluation to market value of SAPO's significant property portfolio and the capital injection from government, the balance sheet position has improved considerably – from a position where total liabilities exceeded assets by R242 million to a positive net asset value of R1,029 billion. Whilst the company is therefore solvent, liquidity concerns will remain for so long as revenues decline and operating losses continue to utilise cash that would be better invested in capital projects to underpin future revenue streams.

Confidence in the frontline services of SAPO is still not where it will need to be if we hope to regain the market share lost over the past few years.

The principle challenge facing SAPO is to balance its dual developmental and commercial mandates, with a funding mix appropriate for those two very different business models. SAPO's value to the citizens of South Africa extends beyond that of a mail delivery service. SAPO owns and operates an invaluable and commercially irreplaceable infrastructure, comprising 1520 fully fledged branches and 702 agency points of representation.

SAPO's property portfolio is valued at R2,5 billion and the opportunity is defined by the extent to which this state owned infrastructure can be leveraged to provide efficient services to even the furthest rural communities in our population. The post office of the future will be very different to what we are used to today, offering a range of services, including banking, mail delivery, logistics, distribution of a variety of goods (such as chronic medicine), and ultimately fulfilling the role of national paymaster and other transactional services, by government, for government, resulting in substantial and enduring savings to the fiscus. It is only through this diversified revenue stream that a sustainable socio-economic mandate can be assured.

Beyond infrastructure utilization, the mail business requires further capital investment, particularly in technology, in order to modernise its product offering to the levels achieved by private sector competitors. SAPO cannot compete as an insulated government department and there can be no doubt that public-private partnerships could play an important role in the future.

Progress has already been made in electronic-physical combinations such as hybrid mail and e-registered mail. The network upgrade process, ultimately moving from a copper cable based hub-and-spoke system to a fibre network is already underway. Replacement and upgrading of outdated equipment is also necessary, subject always to available funding.

Postbank SOC Limited filed the Section 16 application for a fully-fledged banking licence with the Registrar of Banks at the South African Reserve Bank on 26 June 2017. The initial Board of Postbank was appointed on 1 April 2017 and a transitional agreement is in place between SAPO and Postbank, until such time as the banking licence may be granted.

Postbank is ideally positioned, through the SAPO branch network, to provide universal access to financial services to the previously unbanked population, at the right price, particularly in the rural communities where a post office is often the first point of access to the formal economy, and also to small business enterprises. Addressing economic inequality remains one of our country's highest national imperatives and Postbank is uniquely placed to meet this financial inclusion mandate.

In the absence of diversified and growing revenue streams the current cost and funding structures simply cannot be sustained without further subsidy. All operating costs, other than employee costs which are at an unacceptable 80% of revenue, have been reduced over the past year.

The solutions are to be found in subsidy funding of the developmental mandates and diversifying revenue streams in commercial growth areas such as banking and e-commerce. SAPO will also require an appropriate capital structure to see it through the turnaround strategy. Ideally, a substantial equity injection will be required to reduce, at least by half, the interest bill of R350 million that was required over the past year to service bank borrowings guaranteed by National Treasury. In time, it would also be appropriate for SAPO to return to the capital markets, to secure long term debt capital appropriate to the term structure of the future strategy.

The current economic model of SAPO is not sustainable. SAPO requires a substantive equity injection primarily to invest in the commercial opportunities it needs to pursue, not only to remain relevant and compete, but also to reduce the interest paid out to the private sector.

Of course, there are still many challenges ahead of us, operationally and strategically, but the core of SAPO has strengthened and we are open for business, at fair market value. I look forward to further progress at SAPO in the current year.

I thank the SAPO Board of Directors, individually and collectively, for their guidance and support – my job would be impossible without them. I look forward to an increasingly productive relationship with DTPS, our partners on this journey.

Allow me also to thank the Executive Committee and each of our 18700 employees who work towards making our post office a better place. Thank you.

Mark Barnes

Group Chief Executive Officer

Group Chief Financial Officer's Report for the year 31 March 2017

Nichola Dewar - Group CFO

The South African Post Office continues to face challenges such as increasing digitisation, stronger competition and weaker economic conditions that continue to drive structural declines in letter post volumes. As parcel post volumes continue to grow internationally, SAPO's focus over the medium term is to re-align and streamline its operations to support expansion into new areas of growth such as e-commerce fulfilment utilising parcel post channels.

The 2017 financial year was one of stabilisation for SAPO. Increased funding of R2.7 billion was made available, backed by government guarantees. This funding was utilised predominantly to settle past obligations – the creditors' backlog, contracted but not paid increases to staff – and to fund a voluntary severance programme as well as continuing, but reducing, operating losses.

The loss before tax for the financial year ended 31 March 2017 improved by R153 million (13.8%) to R959 million.

Operating revenue for the year amounted to R4,5 billion, 4,1% lower than the prior year in a challenging retail and economic environment. Revenues have stabilised and are now more predictable.

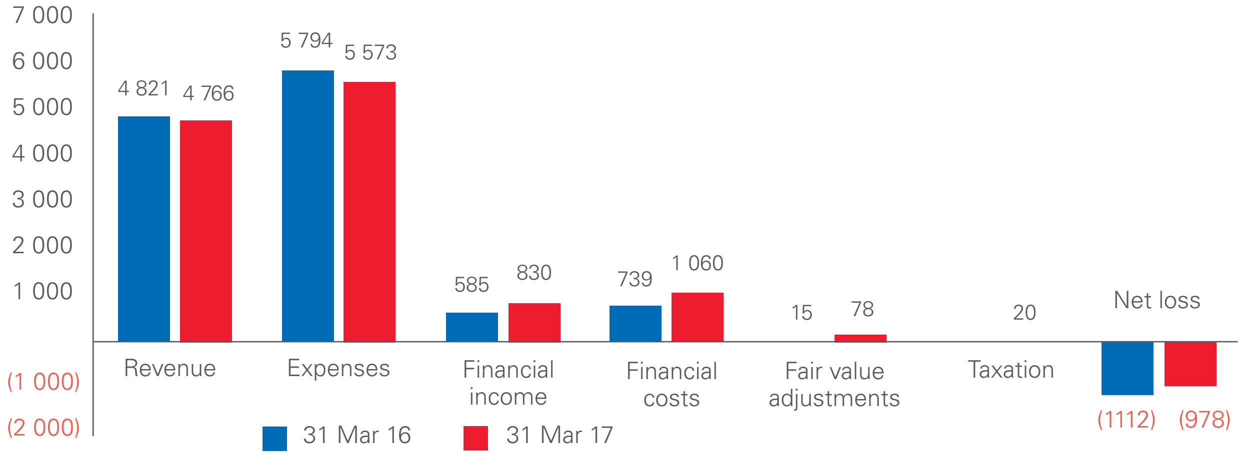
Operating expenditure of R5,6 billion reduced by 4% versus the prior year due to improved efficiencies as well as prudent cost management. Expenditure was prioritised based on its ability to stabilise operations, as well as to contribute to retained and improved revenues.

SAPO's balance sheet has improved as a result of the fair valuation of owned land and buildings, whereas the prior period values were retained using the cost model as there was insufficient information to restate the prior period values using the new methodology.

SAPO's solvency position also increased in April 2016 as a result of a R650 million equity injection from the Department of Postal and Telecommunications.

SAPO's solvency test is disclosed in note 44 of the annual financial statements and SAPO is considered solvent at the year-end, as well as for the 12 months following the date of signature of this report.

SAPO Group financial performance (R' millions)



Nichola Dewar
Group CFO


Post Office
Poskantoor

PART B: PERFORMANCE INFORMATION

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 58-65 of the Report of the Auditors Report, published as Part E: Financial Information.

SITUATIONAL ANALYSIS

Service Delivery Environment

The operating environment for SAPO remained a challenging one in the year under review as the economy started slowing in the second of the 2016/17 year, first slowing by 0,3% in third quarter of 2016/17 and a further 0.7% in the fourth quarter of 2016/17. As SAPO moves mail and parcels related to economic activity, this economic decline, put downward pressure on SAPO's revenues along with other companies in the economy.

The rate of digital substitution continued as more and more South Africans adopted mobile as their preferred means of communication, further contributing to the decline in mail volumes. SA internet users crossed the 21 million mark in 2016, and by the end of the 2016/17 had already approached 40% of population having internet access. Adoption of the Internet reduces the reliance on physical mail for communication. To benefit from the growth of internet based technologies SAPO launched its E-Registered Mail product, the Digital Post Office as well as the SAPO app.

South Africa saw continuation of the growth of online commerce as it saw volumes processed at Johannesburg International Mail Centre, the mail port of entry for parcels coming into South Africa by air, increase by over 20% from the previous year. The 15.3% decline in vehicle sales in 2016/17 contributed to the pressure on Motor Vehicle License registration revenues. The Digital Terrestrial Television project was slow to gain traction in the 2016/17 year, therefore the revenue that had been anticipated by SAPO from the project was also delayed in materialising in the year under review.

SAPO received approval from the Reserve Bank to proceed with the license application for Postbank. The process for the license application to be completed in July of 2017 was proceeding according to plan.

Organisational environment

SAPO experienced a year of returning to operational stability and normal functioning, as evidenced by the improvements in the delivery standard from 54% in January 2016 to 73% the end of the year under review.

Settlement was reached with labour regarding outstanding salary and wage obligations as well as conversion of casual staff to permanent. These agreements contributed towards significantly improved labour environment stability. SAPO saw a reduction of staff through a voluntary separation process, which contributed to the planned cost reductions, from the elimination of over 780 positions in the organisation.

SAPO changed how it conducts the line haul of mail and parcels, reducing the costs of moving mail and parcels on the road by at least R 90 million per annum.

Mail sorting machines that had been out of service in 2015/16 were returned to service in 2016/17, resulting in the improvement in service standards.

The year also had its challenges however with the anticipated growth in revenues not materialising due the time required to close certain opportunities but also a more difficult than anticipated trading environment.

However mail revenues were only down by 4% from the prior year, a significant improvement from the 24% decline experienced in 2014/15.

The process of appointing permanent branch managers to replace the many positions that were filled by acting managers continued and was anticipated to be concluded by the first quarter of 2017/18.

Key policy developments and legislative changes

The National Integrated ICT Policy White Paper was released in the year under review and the process of giving effect to it has begun. SAPO will contribute to the various pieces of legislation that will have to change as a result of the White Paper.

PERFORMANCE INFORMATION BY FUNCTION

OPERATIONS REPORT 2016/2017

Traditionally the Retail and Mail divisions of the SAPO have operated as separate business units with completely separate reporting lines, however in order to ensure a sustainable and efficient organisation, the Mail and Retail divisions now form part of the Operations structure of the SAPO, both reporting to the Chief Operating Officer.

In view of the reporting lines to the Chief Operating Officer, duplication in physical infrastructure between Mail and Retail will be eliminated, enabling a combined focus on operational excellence as well as the alignment of processes across the operational value chain, improving overall customer experience and reducing cost.

Mail has improved is operational performance during the period under consideration and will continue to do so in the new financial year with much emphasis on regaining market share in the parcel business, underpinned by a well-crafted e-Commerce strategy.

Retail is considered the face of the South African Post Office and will continue focusing on enhancing and strengthening its vision of becoming the "Face of Government".

Mail Operations - Improve Operational Efficiencies

The year under review saw the stabilisation of operations. Whilst we observed some improved operational performance across the organisation many challenges still exist. Accelerating the modernisation of operations at Johannesburg International Mail Centre has become the catalyst for the e-Commerce strategy.

There is still significant investment required to modernise operations including consolidation and rationalisation of the processing and delivery network to improve productivity and efficiencies, optimize cost within Operations

In 2016/17 there was an improvement on delivery standards (73.6% from 61,2%) in the prior year, although still not at an optimum level but a positive shift was notable. We continued to enhance customer experience through expanded retail partnerships. During the year under review we were able to improve access that enabled customers and consumers to use SAPO's services easier and more effectively

Recapitalisation of the Post Office and funding of the developmental mandates

The operational environment undertook various initiatives to improve efficiencies throughout the mail value chain. A clean-up campaign launched at the JIMC has begun bearing fruit. Whilst some successes have been achieved in eliminating backlogs and stabilising operations, initiatives meant to accelerate the eradication of blockages will be receiving much focus in the coming year.

Automation

The rollout of machine printers to the main mechanized Hubs was completed in the year under review. Out of the 38 machines, 29 are fully functional. An additional five High Speed Letter Sorting Machines (HSLSM) are partially operational which will ultimately lead to reduced waiting period for the processing of mail. Four machines that were not functional during the period under consideration have since been resolved.

Route Optimisation – Transport Optimisation

This initiative was placed on hold as the project was being re-scoped to ensure that it aligns with the organisational strategic imperatives to establish the desire outcomes. A clear directive has been established and will be resolved in the next financial year,

Staffing Optimisation – Crewing Model Review

Consultative sessions with organised labour are ongoing to ensure that staff optimisation is attained through the review of our existing crewing model.

Meeting the Challenge

Building upon current efforts and in our quest for an Operations reform that is suitable to meet our customer needs, we will continue to drive for business effectiveness and operational efficiency. With the support of our customers, employees, and stakeholders, there is much we can achieve. We remain optimistic that the foundation that has already been laid towards operational efficiency will accelerate.

Retail Operations – Being "Face of Government"

During the period under consideration Retail increased revenue by 15% on the 2015/2016 financial year.

Motor Vehicle Licensing renewal was the strongest Retail revenue line at 58% of total revenue, followed by digital terrestrial television (DTT) revenue at 14%, municipalities at 5%, Telkom at 5%, National Housing at 4%, Lottery at 3%, financial institutions at 3% and fax and photocopier revenue at 3%.

Other Retail revenue lines include television license renewals, money transfer services, and social grant revenue.

Operating expenses incurred for the 2016/2017 financial year showed a favourable variance of 16% against budget, when compared to the 2015/2016 financial year, operating expenses increased only by 1%.

Points of Presence – Competitive Advantage

The SAPO has a Retail outlet footprint which will be very difficult to replicate, comprising of 2,222 Points of Presence, of which 1,520 are conventional Post Office branches and 702 are Post Office Agencies. This is viewed as a strategic competitive advantage and will be leveraged to secure additional revenue streams to the benefit of South African citizens.

During the period under consideration 15 branches were amalgamated and consolidated with closely located existing branches and one branch was converted to a Retail Post Office agency. A further 7 Retail Post Office Agencies were closed.

A strategic thrust during the new financial year will be the development of a Retail Network Rebalancing Framework, in order to create and maintain an effective and efficient Retail network fit-for-purpose. Alternative channels are currently being developed with specific emphasis on enhancing the Agency model.

Customer Service – Service with a Smile

The quality of the customer service provided is gauged by the type and number of customer complaints received. Based on the type of customer complaints, the required remedial action is implemented.

Customer complaints

The total annual complaints received for the year amounted to 1 959, a 1% reduction on the previous 2015/2016 financial year (during which 1 969 complaints were received). Each complaint is recorded as regarded as finalised only once the situation has been addressed.

Customer compliments

Total annual compliments for the 2016/2017 financial year received were 2 401, a reduction of 101 compliments compared to the year before.

Staff – Voluntary Severance Packages, Vacancies and Crewing

A total of 253 Retail employees opted for voluntary severance packages during the period under consideration.

All vacancies for Area Managers have been filled during the year. The process of filling Branch Manager positions is ongoing. A stringent selection process has been developed by Human Capital Management ensuring that the correct candidate is appointed in the vacant position. All positions have been filled internally to date, with no increase in head count.

The vacant Regional Manager positions are in the process of being filled and appointments will be made shortly.

To ensure that branches are adequately staffed, a crewing model has been developed by Retail; however discussions are still required to be conducted with Labour Representatives in order to ensure that the rationale and methodology for the crewing model is understood and agreed to.

Process Optimisation – Operational Efficiency

A Retail Process Optimisation Committee meets monthly to consider proposals received from all staff members with a view to improving processes within the Retail environment. The process is ongoing and during the period under consideration, a total of 152 proposals were implemented.

As part of process optimisation, tips are sent out to branches when a specific matter needs to be resolved or taken note of.

Management Information Systems

Retail utilises a comprehensive management system developed in-house known as RDMS (Retail Document and Management System) on the SharePoint platform. The system covers all aspects of control and is synchronised with the Operations manuals on branch, area and regional level. In line with the proposals received by the process optimisation committee, enhancements are made to RDMS

Required approval for monthly cash forecast etc. are done via RDMS. Daily reports with regards overnight cash levels etc. are also drawn from RDMS.

Equipment

Multi-functional printers and copiers

Contractual negotiations with the appointed supplier are in process. Rollout of the Multi-functional printers and copiers will commence in the 2017/2018 financial year

Pin pads

Contractual negotiations have been completed and delivery has been taken 4 750 pin pads. Enhancements to the Postilion system are required. Rollout is expected to commence during 2017/2018 financial year.

Broadcast Digital Migration (BDM / DTT)

The DTT distribution process has been activated in 7 provinces to date.

The SAPO launched its national registration campaigns in all the active provinces from 1 December 2016 on branch level under the auspices of the Department of Communication. Registration results improved from 53,000 registrations to 149,000 by 31 March 2017, an increase of 182% in 3 months. The daily average registrations increased from 150 per day in December 2016 to 1 859 per day in March 2017. Total installations completed for the period ending 31 March 2017 was 36,999.

POSTBANK

Postbank's financial performance for the year ended 31 March 2017 reflected the impact of an increasing interest rate environment, with net interest income rising to R434m from R380 m in the previous financial year. Net fee and commission income was lower at R211m (FY17: R217m) mainly as a result of lower transaction fees.

Postbank deposits due to the public increased by 3% to R5.031bn (FY16: R4.82bn) predominantly as a result of marketing done on the Smart save and Bakgotsi products. The number of customer accounts increased to 5.7m (FY15: 5.5m) mainly due to the roll out of the Eastern Cape Department of Public Work programme and the marketing initiatives. Investments increased by 7% to R7.706bn (FY15: R7.212bn).

The financial year was characterised by significant progress, especially with the acquisition of new and critical skills that had just been brought on board for the Corporatisation initiative. Postbank kept specific critical items on track, namely:

- Appointment and establishment of the Postbank Board, which is a requirement of the SA Reserve Bank. The Incorporation and registration of the Postbank company was completed in April 2017, which is after the financial year end.
- The auditing firm KPMG was appointed to assist in the delivery of the Section 16 process, which was required for the Incorporation of the Postbank company and the final banking license application process.
- The Postbank strategy formation process was initiated in preparation for engagement and presentation to the Postbank Committee and finally Post Office Board for approval/concurrence.
- Postbank has finalised the key-staff capacitation process.

Postbank's UBS core banking system was relevantly stable throughout the year, reporting an overall 98% uptime on ATM and POS transactions. This is in line with the required industry uptime.

Postbank is currently busy with capacity benchmarking to calibrate the performance and to stabilise the active-active production environment, especially as the Bank is corporatising and taking additional customers on board. Thereafter, focus will be on routine maintenance and enhancement. In terms of security, a separate project is ongoing to secure the core banking platform with security products.

Similarly, as a continuation of the renewal of the banking platform, the upgrade of the financial switch is currently ongoing. This upgrade will move the switch to a supported version that is fit for purpose and Europay, MasterCard, and Visa compliant (EMV compliant).

Customer achievements for the 2016/17 financial year are:

- Just over 215,000 new accounts opened.
- TV and Radio marketing campaigns activated during March and ongoing – Brand, Smart Save and Bakgotsi.
- Numerous financial Inclusion/literacy/marketing supported in line with the Banking Association of South Africa (BASA).
- Preliminary investigations explored across a range of new channels in order to offer more electronic channels to Postbank customers.
- Two year FAIS training agreement concluded with a vendor in order to assist Postbank and SAPO in achieving compliance with the Financial Services Board. To date 810 employees have been trained.
- Appointment of the Head of ATM and Head of POS finalised (other recruitments are ongoing).

INFORMATION TECHNOLOGY

The IT department has been operating under strained conditions, but despite challenges IT has managed to stabilise IT systems and enabled operations however investment on modernisation of our systems is still required.

The stability of the application environment resulted in an average systems availability of 98 percent. However, proactive management of services is still a challenge because service management tooling has not been implemented.

IT Governance and Compliance

The IT operating budget for the year under review was R518,221,275,. The actual expenditure during this period was R300,010,689. Although IT achieved a positive variance of R218,210,589 including the amount for the strategic turnaround plan, expenditure on capital projects was carried over to 2018/19 financial year; also, overtime increased compared to the previous financial year due to a loss of resources across the board.

IT Sourcing

The IT sourcing strategy has been approved, this strategy enables IT to focus on its core business and outsource commodity services and products to capable technology partners. Systems such as Risk Management system, IT Security Operation centre and the group call centre technology have now been outsourced.

IT Trust Centre

The Trust Centre (the public key infrastructure platform) received an unqualified annual audit, conducted by external auditors. This is a major step towards turning around the Trust Centre. The Trust Centre has also, submitted an application for a Web Trust Seal of assurance. The Web Trust accreditation seal will enable the Trust Centre to report its accreditation to a number of trust programs such as Microsoft Root Certificate Program and many others to enhance the trust and acceptance of its digital certificates. The next major initiative in the new period will be the migration of (Secure Hash Algorithm) SHA1 to SHA2 which will improve the trust and strength of the Trust Centre digital certificates.

People

The resignations of key employees contributed negatively to the service offering of the business unit. The current employees continue to work long hours to stabilise the environment and this contributes to excessive overtime expenditure. IT has experienced a high turnover of staff since 1 April 2014, due to resignations caused by uncertainty, unavailability of training and feeble prospects of career growth. IT has not been able to replace 95 employees lost over the last two financial periods. The IT structure is 48 percent filled with only 187 staff members. Efforts are being increased through recruitment of interns, already 10 interns have been placed and are being internally trained. Technology structure has been finalised and awaiting approval.

During the forthcoming period, IT will align to the updated corporate plan, IT is negotiating the implementation of a disaster recovery infrastructure and platforms to ensure redundancy is in place and ensure business continuity. IT continues to upgrade mission critical legacy systems, and moving some systems onto the cloud platforms where necessary. IT will continue to more focus on stabilisation of IT environments, while gradually move towards becoming a true business partner. This will enable it to provide flexible and scalable solutions that will be responsive to business needs and reduce time to the market

COMMERCIAL

The Commercial division has focussed on revenue generation and customer experience improvement over this financial year. On revenue the strategic intent has been on retention and growth (rebuilding the brand, credibility and reputation of the organisation). Customer experience improvement plans have mainly focussed on facilitating trade, easy access to the SA Post Office and enhancing trust relationship with our customer base. To achieve our objectives we embarked on a number of initiatives that saw customer satisfaction index improving while revenue stabilised.

E-channel

Given the growth in internet penetration in the country and the growing need for digital platforms to facilitate business transactions, the Commercial unit focused on the consolidation and improvement of the SA Post Office's e-Channel offering. This centred on electronic service application and fulfilment through multiple channels such as hybrid mail, mobile platforms, e-Registered Mail, the Trust Centre and self-service (Virtual Post office) provisioning.

A number of customers migrated from the traditional postal services to e-services utilising the Post Office's our innovative technology platforms and electronic channels. The company also launched exciting new e-products and services such as Digital Post Box, confidential mail and e-registered mail offering during the period under review

Trust Centre Services

There was an increase in the uptake of our Trust Centre services such as Digital Certificates. These provide customers with the required security in authenticating electronic communications and transactions. The offering of this service is the key selling point of our future e-products as online security is becoming a standard requirement. Development of an advanced digital signature application is under way to enhance the current offering.

Hybrid Mail business

Hybrid mail accounts for 2% of the total mail volume. The growth of this service was muted during the 2016/2017 financial year.

This was caused largely by legacy problems, mainly the sporadic lack of consumables as a result of the organisation's cash-flow position at the beginning of the year. This challenge was resolved by the middle of the year. The conclusion of negotiations with the traffic enforcement cluster (RTIA, RTMC, JMPD, TMPD and SANRAL) resulted in the growth of hybrid mail in the fourth quarter and we envisage this growth to continue into the new fiscus.

Online business

Online postbox renewals through the virtual post office (www.virtualpostoffice.co.za) accounted for about 10% of total postbox renewals during the year under review. Online product sales were on par with those of the previous year. We expect improvement in the use of this channel with the attendant growth in revenue.

Achievements during the year under review

Commercial structure and key engagements:

The structure of the Commercial unit was approved and we are in the process of filling critical positions and this is expected to be finalised in the next financial year. This will ensure robust and proactive customer engagement whilst instilling a culture of responsibility and accountability.

The Executive team, led by the Group Chief Executive Officer, engaged with key customers through breakfast sessions in all major cities to reposition the Post Office. This enabled the team to share the company strategy and the new business model. There were separate engagements with SALGA, the Direct Marketing Association of South Africa (DMASA) and Treasury in order to regain lost volumes within the reserved space.

The Commercial unit has established a bids and contract management office to better manage tender submissions and contracts. This will ensure timeous quality submissions of tenders and this should improve our ability to secure bids and the management of contracts.

Government Business

With the renewed focus on government business the unit secured business with the following government entities: Companies and Intellectual Property Commission (CIPC), Chris Hani Municipality, Department of Land and Rural Development (DLRD), Eastern Cape Liquor Board, Eastern Cape Department of Education HR, Eastern Cape Department of Education Finance division and the South African Broadcasting Corporation (SABC) despite many challenges.

The division also successfully re-negotiated with the Traffic enforcement cluster, which incorporates, Road Traffic Management Corporation (RTMC), Road Traffic Infringement Agency (RTIA), and Tshwane Metro Police Department (TMPD), to resume mailing through SAPO. Negotiations are still continuing with the Johannesburg Metropolitan Police Department (JMPD) and The South African National Roads Agency Limited (SANRAL). We expect these negotiation to be finalised during the 2017/2018 financial year. SAPO also developed and launched an electronic channel for the application and payment of fishing licences for the Department of Agriculture, Forestry and Fisheries (DAFF).

Digital Post (e-Registered Mail)

The Commercial unit launched a Digital Post product which enables customer to send encrypted confidential and e-registered mail to their customers through this online platform. In terms of the Electronic Communications and Transactions Act (ECT Act) 25 of 2002, e-Registered mail carries the same recognition as the traditional paper based registered mail in the court of law. We are negotiating with partners to expand the use of this product in the market.

Payment Gateway

The SA Post Office developed an online payment channel supported by Master-Pass, to facilitate online payment. Master-Pass is a digital mobile application powered by MasterCard which allows payments using credit, debit or cheque cards. This brings convenience in paying and opens other avenues of revenue generation through third party payments. For the SA Post Office, the Virtual Post Office paired with the Master-Pass payment gateway, makes purchasing of stamps and renewal of postboxes hassle free by eliminating the protracted EFT payment methods.

Account and performance management

A portfolio management approach was initiated to ensure basic Account management principles for all key customers. This has seen SAPO improving its strategic relevance and position within these accounts as a key business enabler. This approach will be carried forward by holding strategic sessions with some of our key accounts.

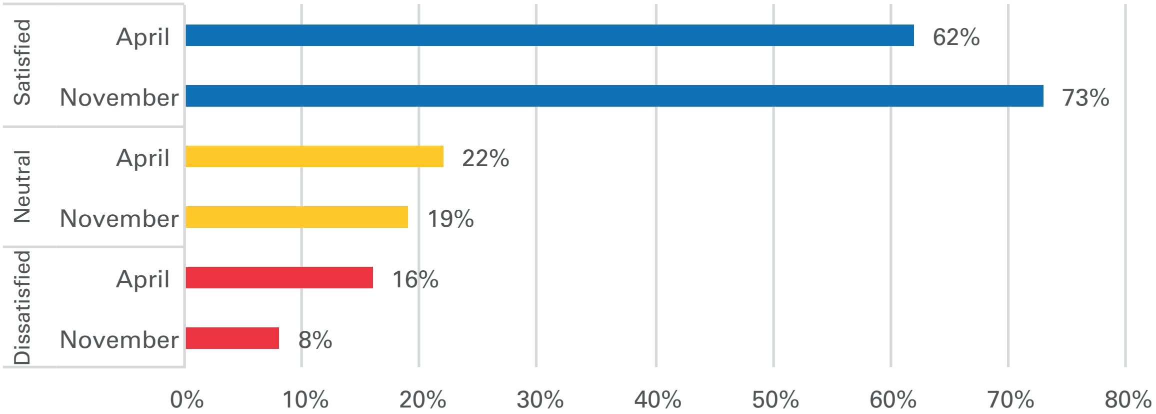
One of the exciting outcomes of this approach has been the creation of an integrated solution for the Retail Sector in partnership with one of the leading mail order companies in the country. This solution will be deployed to the Retail sector and this should entrench SAPO's position in the e-commerce environment.

Customer Satisfaction

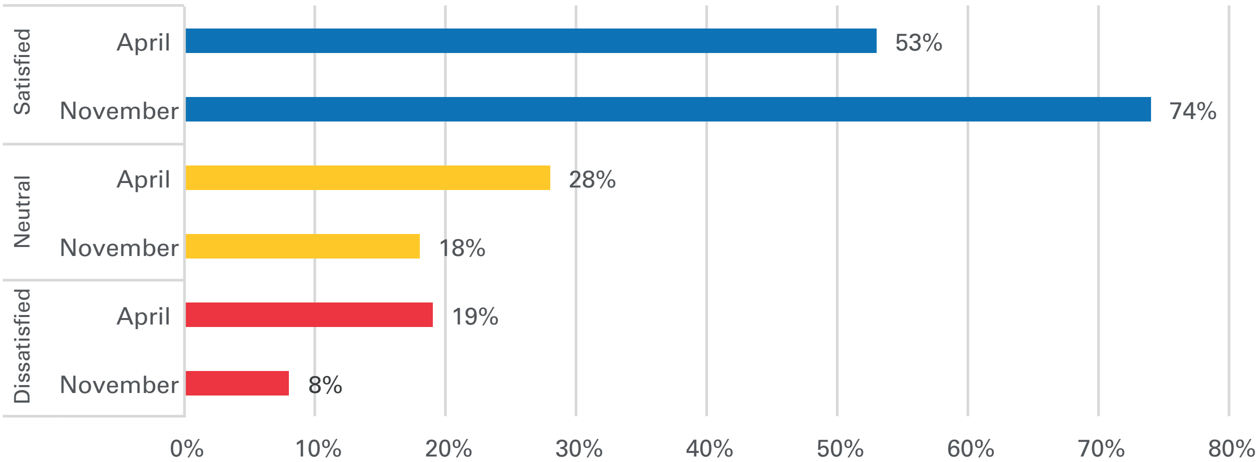
We conducted a two customer experience surveys of our top forty customers during this financial year and the results were encouraging. The surveys were conducted telephonically using the SAPO in-house resources. We used simple random sampling, providing each customer in the database an opportunity to be selected for the survey. The findings were measured to give a clear trend analysis.

The survey addresses customer attitudes, opinions on their experience and satisfaction and how likely a customer would be to continue their services with Post Office South Africa. The results were presented as follows

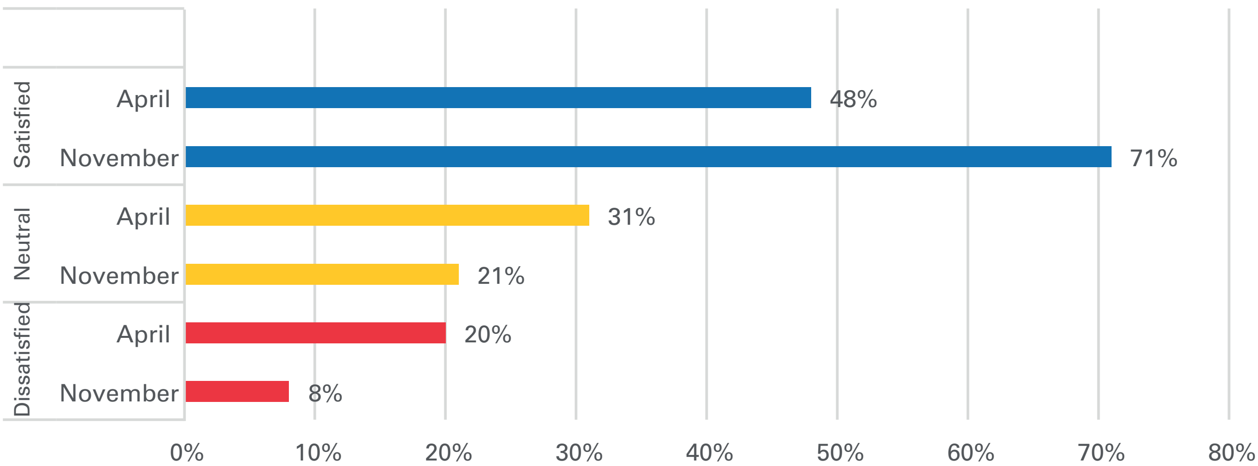
Satisfaction With Delivery of Service - 2016

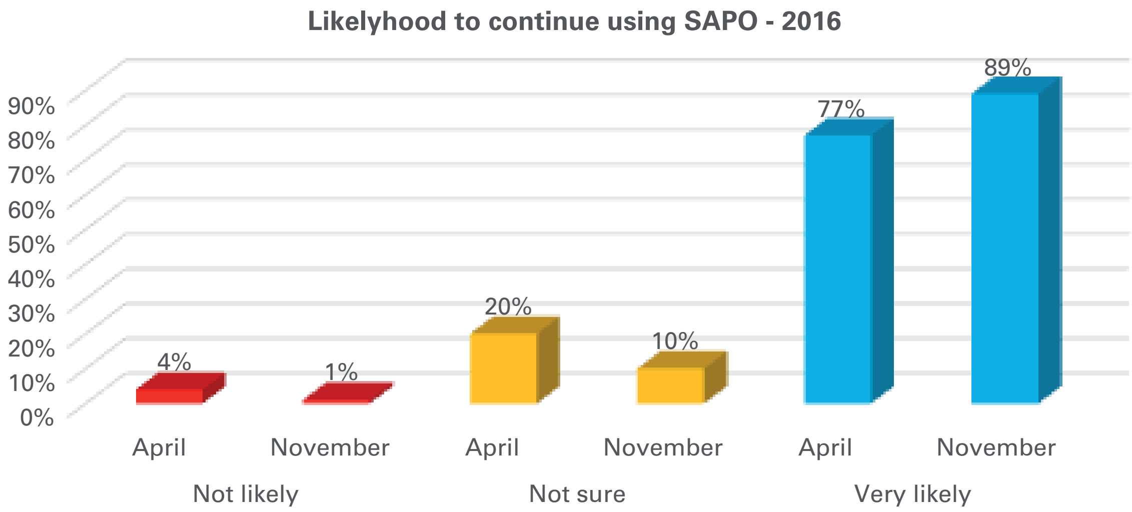


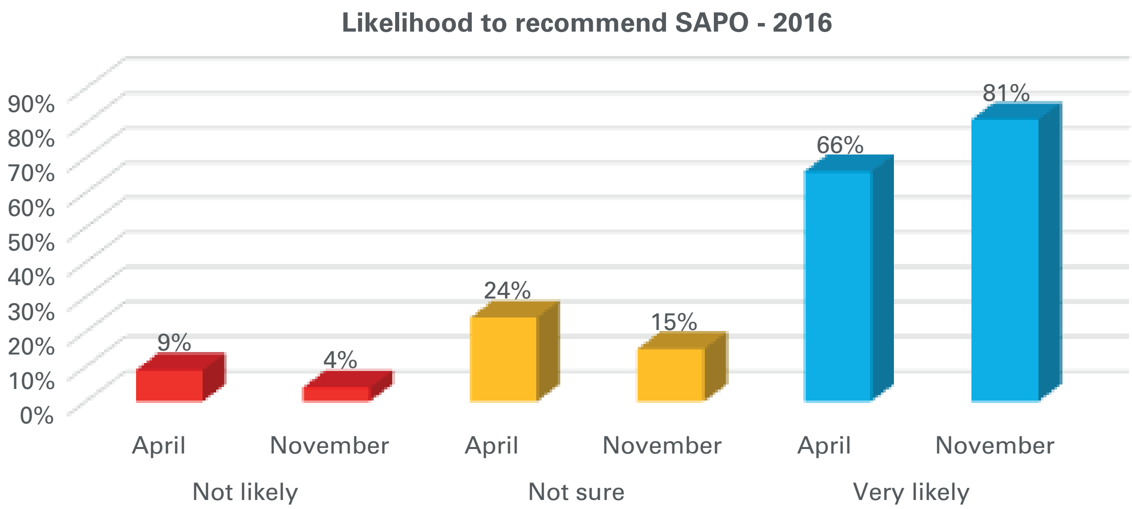
Response Time - 2016



Delivery Time - 2016




Likelyhood to continue using SAPO - 2016
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
4%
1%
20%
10%
77%
89%
April
November
April
November
April
November
Not likely
Not sure
Very likely

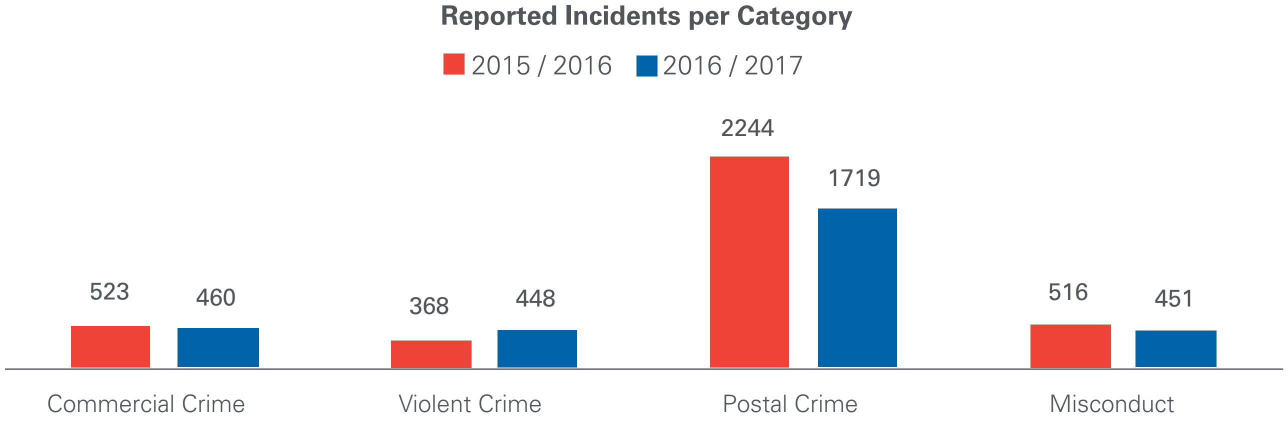

Likelihood to recommend SAPO - 2016
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
9%
4%
24%
15%
66%
81%
April
November
April
November
April
November
Not likely
Not sure
Very likely

SECURITY AND INVESTIGATIONS

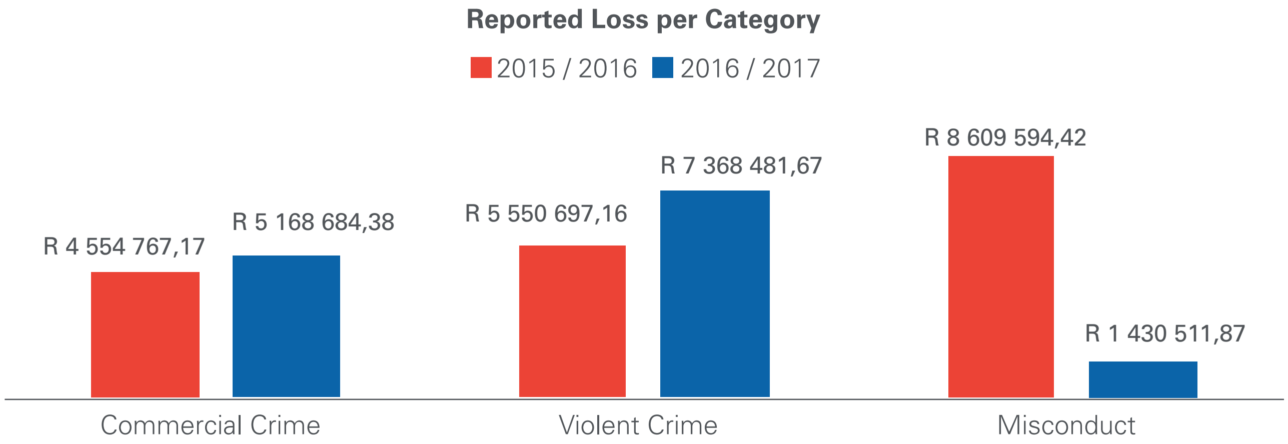
OVERVIEW

Crime-combating efforts paid off during the year under review with a marked a decrease in both reported incidents and losses – with none of the reported incidents resulting in any material loss.

- Reported Incidents: Over the past financial year, 3078 incidents were reported. A total of 3651 incidents were reported during 2015/2016 – this is a decrease of 16%.



- Reported Loss: During 2015/22016, the Post Office saw a reported loss of R19,7 million. The reported loss in 2016/2017 amounted to R14,6 million, a decrease of 26%



- The biggest contributor to the increase of 13% in commercial crime loss was a single incident where the total loss at a Retail outlet amounted to R1.7m (48%) of the total reported loss. An employee has been dismissed with the SAPS investigation still in progress.
- Violent crime (armed robbery and housebreaking) increased. Post Office outlets are targeted by external parties; this is in line with trends across the retail Industry in South Africa.

The SA Post Office fully subscribes to Government's crime prevention strategy and focuses on creating ethical behaviour amongst its employees, customers and service providers. In crime prevention and investigation strategies, the organisation works closely with the SAPS, SABRIC and all other financial institutions across South Africa

Performance Report by Themes

PERIOD ENDED 31 MARCH 2017

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

Performance Measures Summary as at 31 March 2017

STRATEGIC THEMES	NUMBER OF KPIS MEASURED					KPIS ACHIEVED				
	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR
1. Increase and Diversify Revenues	4	4	4	4	4	0	0	0	0	0
2. Cost Management	1	1	1	1	1	1	1	1	1	1
3. Improve Operational Efficiency	1	2	3	3	3	1	1	2	2	2
4. Sustainable Delivery of Social Mandate	5	6	7	7	7	2	2	1	1	2
5. High Performance Organisation	3	3	3	3	3	0	0	0	0	0
Total number of KPIs	14	16	18	18	18	4	4	4	4	5
% of KPIs Achieved						28.5%	25%	22.2%	22.2%	27.8%

- SAPO had set four objectives in the 2016/17 Corporate Plan, two of the four have been achieved namely;
  - Stabilising the labour environment
  - Stabilising the operating environment – operations are no longer being disrupted by suppliers who are owed money.

Revenue growth and Financial Stability were not achieved but will be the focus in 2017/18

During quarter 4 SAPO achieved 4 of the 18 KPI's (22.2%).

- For the year SAPO achieved 5 of the 18 KPI's (27.8%).
- A 70% level was attained for 9 other performance indicators.
- The delayed start in the recovery means that the outcomes of our efforts will only really start to show in the second quarter of 2017/18.

STRATEGIC THEME 1: INCREASE AND DIVERSIFY REVENUES							
NO.	STRATEGIC GOAL	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	YEAR TARGET	ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR VARIANCE AND PLANNED ACTIONS
1.1	Expand post box user base	Implementation of post box revenue growth model	25% increase on 2016 post box subscriber base by 31 March 2017	500 000	21 005	Not Achieved	Postbox marketing campaigns were run in 2016/`7 and resulted increased new subscriptions. Current marketing campaigns will run into the new calendar year to the end of the fiscal.
1.2	Achieve base case revenue	Total Base Case Revenue (excluding Postbank)	By 31 March 2017, return to revenue levels equal to the revenue achieved as at 31 March 2009	R 5 031m	R4 058.4m	Not Achieved	SAPO achieved 80% of the base case revenue target. The road traffic infringement group of customers such as RTIA, AARTO etc. started to mail again from September 2016. A customer satisfaction tracking survey has been launched in Q1 of 2016/17 and showed improvements in customer satisfaction with SAPO service delivery over the 2016/17. Top 40 regional customers are engaged on a regular basis, through a new account management process that has been put in place.
1.3	Achieve growth case revenue (Private sector)1	Private Sector Revenue (excluding Postbank)	Achieve R600m revenue by 31 March 2017 in terms of the growth strategy for the private sector offerings	R 600m	R 0m	Not Achieved	Customer engagements were started in 2016/17 to drive private sector sales of new packaged solutions. The sales cycle is taking longer than anticipated but improvements in sales are expected to come through in 2017/18. Pilot projects with key customers are planned to kick off in Q3 of 2017/18. Key revenue initiatives for this segment are currently in development stage - 3rd Party Business & collection engine, Ticket Sales, Data and Airtime vending, Business Services (MFD) and Money Transfer Services. Exploratory meetings with customers are progressing and these enable direct engagements possible. An important agreement with an International strategic partner for online parcels at an advanced stage. Re-assessment of the customer and IT requirements for third party transactions - specification document concluded for the RFP process and proposals submitted. The Multifunctional Devices project is in the pilot phase. The MFD will increase SAPO's revenues from printing, scanning and faxing.

STRATEGIC THEME 1: INCREASE AND DIVERSIFY REVENUES

NO.	STRATEGIC GOAL	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	YEAR TARGET	ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR VARIANCE AND PLANNED ACTIONS
1.4	Achieve growth case revenue (Public sector)1	Public Sector Revenue (excluding Postbank)	Achieve R400m revenue by 31 March 2017 in terms of the growth strategy for the government sector offerings	R 400m	R 67.1m	Not Achieved	To help improve uptake on the Digital Terrestrial Television (DTT) Post Office employees have been engaging local communities grassroots level. This engagement has helped to improve public take-up of the (DTT), which has contributed to the revenue from government.

STRATEGIC THEME 2: COST MANAGEMENT

NO.	STRATEGIC GOAL	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	YEAR TARGET	ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR VARIANCE AND PLANNED ACTIONS
2.1	Control total costs	Cost management	Ensure that total operational costs (excluding abnormal items) does not exceed the Corporate plan targets	R 6 929m	R 5 572.9m	Achieved	Cost are well within the targets Maintain total operational costs within target

STRATEGIC THEME 3: IMPROVE OPERATIONAL EFFICIENCY

NO.	STRATEGIC GOAL	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	YEAR TARGET	ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR VARIANCE AND PLANNED ACTIONS
3.1	Meet Postbank SLA	Meet banking industry uptime requirements	98% uptime for ATM and POS transactions	98%	97.02%	Not Achieved	Introduction of effective controls in terms of monitoring and remediation of incidents assisted in maintaining a stable uptime percentage. Measures have been taken to stabilise the primary site. Some of the measures included close monitoring of the system and limiting system interruptions. In addition to the above, capacity upgrades have been implemented to cater for the anticipated growth in transaction volumes and also to improve SLA targets.

STRATEGIC THEME 3: IMPROVE OPERATIONAL EFFICIENCY

NO.	STRATEGIC GOAL	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	YEAR TARGET	ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR VARIANCE AND PLANNED ACTIONS
3.2	Improved customer experience	Manage IT risk throughout	Build resilience into SAPO's IT connectivity	50%	16.5%	Not Achieved	The implementation of the Managed Network Services is intended to build a resilient SAPO network. The procurement process resulted in a non-award, however SAPO IT is urgently investigating other avenues to build resilient connectivity for SAPO.
3.3		Improved internal customer satisfaction	Customer satisfaction index	3	3.9	Achieved	IT has over-achieved on this at 3.9 against a target of 3.0. Despite the operating conditions IT is exceeding the expectation of satisfaction. Maintain and improve on customer satisfaction

STRATEGIC THEME 4: SUSTAINABLE DELIVERY OF SOCIAL MANDATE

NO.	STRATEGIC GOAL	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	YEAR TARGET	ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR VARIANCE AND PLANNED ACTIONS
4.1	Increase financial inclusion of the mass market	Growth in Postbank depositor accounts	Increase the number of depositors' accounts by 3% year on year at 31 March 2017	3%	3.1%	Achieved	The increase in the number of accounts is due to marketing campaigns for Smart Save and Bakgotsi accounts.

STRATEGIC THEME 4: SUSTAINABLE DELIVERY OF SOCIAL MANDATE							
NO.	**STRATEGIC GOAL**	**KEY PERFORMANCE AREA**	**KEY PERFORMANCE INDICATOR**	**YEAR TARGET**	**ACTUAL PERFORMANCE AGAINST TARGET**	**TARGET ACHIEVED OR NOT ACHIEVED**	**REASONS FOR VARIANCE AND PLANNED ACTIONS**
4.2	Meet the mail delivery standard	Mail delivery standard	Achieve the regulated mail delivery standard of 92% as per the agreed delivery model with ICASA	92%	73.6%	Not Achieved	• The current Mail delivery performance as at the end of March 2017 is recorded at 73.6%, showing an improvement from 54.1% in January 2016 and 64.7% end of 3rd quarter. • 15 of the 18 sorting machines, which were not working in 2015/16, are now fully functional and the balance are awaiting spares and will be returned to operation once repairs have been made. • The implementation of the approved national line haul contract started from 1 April 2017, which will reduce the transport costs by over R 90m per annum. • The procurement and refurbishment of delivery bicycles continues. • Operations at the international mail centre are being revised to clear carry-overs and will focus on the transport side to get postal items out of JIMC to customers
4.3	IT performance and sustainability	Systems availability	Mean time to recover priority incidents	Less than 4 hours MTTR	6.93 hours MTTR	Not Achieved	Extended outages of the network services were due to cable theft and slow recovery of the network in branches due to Telkom's response. Telkom is in the process of replacing copper with fiber where fiber is available and this will improve network uptime.
4.4			End-to-end service availability and performance	95% availability	97.68% availability	Achieved	N/A
4.5	IT operations as measured against business SLAs	Business service management	Implement SLAs for all BUs	100%	26%	Not Achieved	SLA monitoring and management tool procurement will be completed in 2017/18.
4.6			Monthly SLA reviews	100% reviewed monthly	25%	Not Achieved	SLA's not concluded. As a remedial measure, IT service performance reviews are still conducted with Retail and Mail.

STRATEGIC THEME 4: SUSTAINABLE DELIVERY OF SOCIAL MANDATE							
NO.	**STRATEGIC GOAL**	**KEY PERFORMANCE AREA**	**KEY PERFORMANCE INDICATOR**	**YEAR TARGET**	**ACTUAL PERFORMANCE AGAINST TARGET**	**TARGET ACHIEVED OR NOT ACHIEVED**	**REASONS FOR VARIANCE AND PLANNED ACTIONS**
4.7	IT investments	Capex projects	% of top 10 IT projects across all BUs delivered on time	50%	0%	Not Achieved	IT-enabled projects to support business were rolled into 2017/18 and are being implemented in that fiscal year- for example DTT, Multi-functional devices, pin pads and Trust Centre, experienced a delay in starting in 2016/17 and were started in 2017/18.

STRATEGIC THEME 5: HIGH PERFORMANCE ORGANISATION							
No.	**Strategic Goal**	**Key Performance Area**	**Key Performance Indicator**	**Year Target**	**Actual Performance against target**	**Target Achieved or Not Achieved**	**Reasons for variance and Planned actions**
5.1	Performance management systems implementation	Implementation of performance management system	100% performance contracts in place for managerial/ TCTC staff by 30 April 2016	100%	88%	Not Achieved	The drive to re-establish the discipline of performance management was more successful with contracting at senior management levels (Executives, General and senior manager) with 94% contracting rate. At the lower levels of first line management the contracting process was complicated by high prevalence of acting within positions and the delay in providing tools of the trade. Initiatives were implemented to address these challenges with the appointment of full time branch managers in Retail, the provision of printers other tools of trade, however these initiatives could only be started in the latter of 2016/17. They will be continued in the new financial year.
5.2			Assessments in place for all managerial/TCTC staff by 31 March 2017	100%	74%	Not Achieved	The review and assessments was hampered by the delays in implementing the contracting phase. A further disincentive is the lack of an incentive scheme linked to the performance management process. The development of a proper incentive scheme/variable pay programme is a priority for SAPO to incentivise a high performance culture.
5.3	Achieve governance and compliance objectives	Audit issues	No outstanding high and medium audit findings older than 3 months as at 31 March*	No audit findings older than 3 months as at 31 March 2017*	219	Not Achieved	A work plan has been put in place to address audit findings and track them on a monthly basis as at 31st March 2017, however this was not in place in 2016/17 and resulted in the non-performance of this measure.

*excluding resolutions with systems implementation dependencies

PART C: GOVERNANCE

INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

PORTFOLIO COMMITTEES

The Post Office presented reports to Parliamentary Committees over the reporting period as follows:

PORTFOLIO COMMITTEE ON TELECOMMUNICATIONS AND POSTAL SERVICES	
Briefing by DTPS and entities on Broadband rollout	15 March 2016
Strategic and Annual Performance Plan	15 April 2016
2015/2016 Annual Results	14 October 2016
Implementation on turnaround strategy and future prospects	31 January 2017
2nd Quarter Performance	21 February 2017
2014/2015 Annual Report with Minister and Auditor –General present	23 February 2017
SCOPA	
Review of SAPO 2014/2015 Annual Report	06 April 2016
Review of SAPO 2014/2015 Annual Report	12 April 2016
Special Meeting with SAPO Management at our Head Office	29 March 2017
SELECT COMMITTEE ON COMMUNICATION AND PUBLIC ENTERPRISES	
1st Quarter Performance Report	30 June 2016

Corporate Governance Report

MANDATE, REGULATION AND LICENSE

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

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

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

REGULATION

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

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

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

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

LEGISLATIVE AND GOVERNANCE FRAMEWORK

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

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

- SA Post Office Act No.22 0f 2011 (as amended);
- Postbank Act No. 9 of 2010 (as amended);
- Postal Services Act No. 124 of 1998.
- Public Finance Management Act No.11 of 1999 (as amended);
- Companies Act No. 71 of 2008 (as amended);
- Relevant legislation applicable to the postal sector and to SOCs;
- King III Code on Good Corporate Governance.
- Other relevant local and international codes for the postal sector.

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

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

SA POST OFFICE GROUP SHAREHOLDING STRUCTURE

The State is the sole Shareholder represented by the Minister of Telecommunications and Postal Services.

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

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

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

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

THE MANDATE OF THE BOARD

The SA Post Office has, as its accounting authority, a Board appointed by the Minister of Telecommunications and Postal Services, who is the Shareholder representative.

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

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

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

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

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

INDEPENDENCE OF THE BOARD

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

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

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

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

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

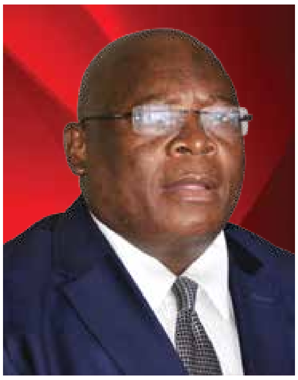
COMPOSITION OF THE SA POST OFFICE BOARD

The SA Post Office Board is a Unitary Board comprising of a majority of non-executive directors. The non-executive directors of the Board are appointed by the Minister in accordance with section 11 of the SA Post Office Act. The SA Post Office Board has executive directors who are appointed by Cabinet on the recommendation of the Minister of Telecommunications and Postal Services. The executive directors are responsible for the day to day running of the company.

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

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

BOARD MEMBERS



Comfort Ngidi

Full-time director at Ngidi & Company Inc; part-time Chairperson of Ezemvelo KZN Wildlife

Qualifications:

- BA (Law) and LLB degrees from the University of Natal
- Completed course on Judicial Skills for future judges
- Completed courses on Board Skills at Wits Business School

Mr Phetole Elvis Rabohale

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

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

His key area of contribution to the Board will be that, due to his past employment with SAPO and knowledge of, and working experience at mail operations, Mr Rabohale may assist the Board in turnaround strategy matters relating to the SAPO mail operations and workforce. He will also contribute in Strategic Management, project management, fleet management, operations research and management, job design and performance management.

Ms Nomahlubi Victoria Simamane

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

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

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

Ms Lesego Marole

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

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

Mr. Mdu Zakwe

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

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

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

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

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

Dr Moretlo Molefi

B.Sc., MBCHB, TelemedDip, SMP

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

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

Dr Molefi's leadership abilities can be evidenced in the number of leadership positions she has undertaken both in South Africa and across the globe in various business that she runs.

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

Kgosie Matthews

Mr Kgosie Matthews is executive chairman of the Imvula Group, where his responsibilities include overseeing and managing all activities that of interest to the Group. Moreover, his job includes leveraging new business opportunities and developing the business.

Before that, he was MD of Fordworks and Associates in New York, USA where he focused on clients in African and Caribbean markets.

He holds a Master's degree in Public Administration, concentrating in international relations and international finance from Harvard University, in the USA. He also has an Honours degree in political science from the Warwick University in the United Kingdom.

Mr Kgosi is fluent in French.

Mr. Mark Barnes

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

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

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

Ms Nichola Dewar

Ms Nichola Dewar is a chartered accountant CA(SA) with 25 years of finance experience. She has B.Sc. (Hons) (Mathematics) and M. Comm. (Accounting) qualifications from the University of Cape Town. She has been acting as CFO of the SA Post Office since 17 July 2015, whilst also being CFO of the Postbank division of SAPO from December 2009. She is a member of the Advisory Board to the Lafferty African Banking Councils.

Prior to SAPO she was CFO at Compass Group South Africa and Microsoft South Africa and was Head of Finance for Barclays Africa, Middle East and Indian Ocean. She also held a senior finance role at Stanbic Africa. She has experience in the areas of corporate finance, deal structuring and technical IFRS accounting obtained at KPMG and Deloitte, as well as strategy experience at McKinsey & Company.

Lindiwe Kwele

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

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

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

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

DIRECTOR	OFFICE	DESIGNATION	CHANGES
Mr ZC Ngidi	Acting Chairperson of the Board:	Non-executive Independent	Appointed 15 August 2015/ Acting as Chairperson 1 January 2017
Dr SD Lushaba	Chairperson of the Board	Non-executive Independent	Appointed 15 August 2015 as Chairperson of the Board / resigned 15 Dec 2016
Ms BP Soci	Deputy Chairperson of the Board	Non-executive Independent	Appointed 15 August 2015/ resigned 4 Nov 2016
Mr MA Barnes	CEO	Executive	Appointed 15 January 2016
Ms NJ Dewar	CFO	Executive	Appointed 12 December 2016
Ms LO Kwele	COO	Executive	Appointed 5 June 2017
Dr LM Molefi	Director	Non-executive Independent	Appointed 15 August 2015
Mr ME Zakwe	Director	Non-executive Independent	Appointed 15 August 2015
Ms MLD Marole	Director	Non-executive Independent	Appointed 15 August 2015
Ms NV Simamane	Director	Non-executive Independent	Appointed 15 August 2015
Mr PE Rabohale	Director	Non-executive Independent	Appointed 15 August 2015
Mr R Nkuna	Director	Non-executive Independent	Appointed 15 August 2015/ resigned 16 November 2016
Mr ZK Matthews	Director	Non-executive Independent	Appointed 1 October 2016

BOARD OF DIRECTORS

The SA Post Office Articles of Association provide for a maximum of sixteen (16) directors, including the Chief Executive Officer, the Chief Operations Officer, the Chief Financial Officer and the Postbank Managing Director provided that the majority of the directors are non-executive directors The Board meets at pre-arranged meeting dates at least four times in a year and at such other times as deemed necessary by the Chairperson. The Board holds annual workshops at least twice a year to review the Group's business strategy and to conduct the Group annual risk assessment.

ATTENDANCE OF SAPO BOARD OF DIRECTORS MEETING AND COMMITTEE MEETINGS 1 APRIL 2016 TO 31 MARCH 2017

NAME	DESIGNATION	APPOINTMENT / RESIGNATION	SAPO BOARD	CFG BOARD	DOCEX BOARD	AUDIT & RISK COMMITTEE	IT GOVERANCE COMMITTEE	POSTBANK COMMITTEE	REMUNERATION & HR COMMITTEE	SOCIAL & ETHICS COMMITTEE	STAMP ADVISORY COMMITTEE	STRATEGIC TURN AROUND PLAN (STP) COMMITTEE
Dr DSS Lushaba	Chairperson	Appointed 15 August 2015 Resigned 15 December 2016	5 out of 5	-	-	-	-	-	-	-	-	-
Ms BP Soci	Deputy Chairperson	Appointed 15 August 2015 Resigned 4 November 2016	2 out of 5	-	-	3 out of 4	-	1 out of 2	-	-	-	-
Mr RD Nkuna	Non Executive Director	Appointed 15 August 2015 Resigned 16 November 2016	4 out of 5	-	-	-	-	2 out of 2	-	-	2 out of 2	3 out of 3
Mr ZC Ngidi [DBN]	Non Executive Director Acting Chairperson	Appointed 15 August 2015 Appointed 22 December 2016	# 6 out of 7	-	2 out of 3	-	-	-	3 out of 4	# 3 out of 4	-	-
Ms MLD Marole	Non Executive Director	Appointed 15 August 2015	6 out of 7	-	-	-	-	3 out of 3	# 4 out of 4	-	-	-
Mr ZK Matthews	Non Executive Director	Appointed 1 October 2016	3 out of 3	-	-	1 out of 1	-	# 1 out of 1	-	-	1 out of 1	-
Dr LM Molefi	Non Executive Director	Appointed 15 August 2015	5 out of 7	-	#3 out of 3	-	-	-	4 out of 4	4 out of 4	-	-
Mr PE Rabohale	Non Executive Director	Appointed 15 August 2015	5 out of 7	# 1 out of 1	-	5 out of 5	3 out of 4	-	-	-	# 3 out of 3	-
Ms NV Simamane	Non Executive Director Acting Deputy Chairperson	Appointed 15 August 2015 Appointed 22 December 2016	7 out of 7	-	-	-	4 out of 4	-	-	3 out of 4	-	# 4 out of 4
Mr ME Zakwe	Non Executive Director	Appointed 15 August 2015	6 out of 7	1 out of 1	-	# 5 out of 5	# 4 out of 4	-	-	-	-	4 out of 4
Mr MA Barnes	Group CEO	Appointed 15 January 2016	7 out of 7	1 out of 1	2 out of 3	5 out of 5	4 out of 4	3 out of 3	3 out of 3	4 out of 4	3 out of 3	2 out of 4
Ms NJ Dewar	Acting Group CFO Group CFO	Appointed 17 July 2015 Appointed 12 December 2016	7 out of 7	1 out of 1	3 out of 3	4 out of 5	3 out of 4	2 out of 3	2 out of 3	2 out of 3	1 out of 1	1 out of 3
Ms LO Kwele	Group COO	Appointed 5 June 2017	-	-	-	-	-	-	-	-	-	-

CHAIRPERSON

COMMITTEES OF THE BOARD

The Group Board as the Accounting Authority oversees the overall decision making across the Group to ensure it retains proper direction and control of the Group.

The Board has a formal delegation of authority framework agreed to with the Minister of Telecommunications and Postal Services. The Board has delegated certain powers to the CEO and to management but has reserved certain powers exclusively for the Board and these are set out in the Board Charter.

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

The Board has delegated certain functions without abdicating its own responsibilities to the following committees:

- Audit and Risk Committee
- Postbank Committee
- Remuneration and Human Resources Committee
- Social and Ethics Committee
- IT Governance Committee
- Stamp Advisory Committee
- Strategic Planning Committee

The various Committees of the Board each have formal terms of reference embodied into a charter which further defines the mandates, roles and responsibilities of each Committee. The charters are reviewed and updated on an annual basis where required.

The Committees of the Board are chaired by a non-executive director and members are drawn from the ranks of non-executive directors. The executive directors attend Committee meetings in their capacity as executives and other representatives from management are also invited to Committee meetings when required to report to the Committee.

The Committees meet at pre-arranged meeting dates at least four times in a year and at such other times as deemed necessary by the Chairperson.

The mandates of the various committees of the SA Post Office Board as tasked to assist the Board in fulfilling its oversight responsibilities, are detailed below:

AUDIT AND RISK COMMITTEE

The SA Post Office Audit and Risk Committee was established in terms of section 51(1)(a)(ii) of the Public Finance Management Act No 1 of 1999 (PFMA) as amended and relevant Treasury Regulations, and in accordance with the SA Post Office Memorandum of Incorporation. As a major public entity in terms of Schedule 2 of the PFMA, SA Post Office is required to, to establish an Audit Committee. The Audit and Risk 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. Representatives of external and internal audit have direct access to the Chairperson of the Committee.

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.

The Audit and Risk Committee meets at least four times a year.

REMUNERATION AND HUMAN RESOURCES COMMITTEE

The Remuneration and Human Resources Committee was established in accordance with the SA Post Office Memorandum of Incorporation. The committee reviews all aspects relating to human resources and transformation within the Group. It also monitors compliance with relevant labour and employment legislative matters and recommends approval of significant human resources related policies to the Board. This committee's mandate includes transformation issues. The committee meets four times a year.

POSTBANK COMMITTEE

The Postbank Committee was established with an oversight role to ensure that the Postbank division operates within all applicable legislation, monitors the performance of the investment portfolio of depositors' funds as well as ensuring that these funds are invested appropriately. It also recommends the approval of fees and bank charges to the Board. The committee meets four times a year. The Postbank Act which came into operation in late 2010 now provides for the establishment of a Board of Directors for the Postbank entity (to be formed) when it starts operating as a licensed bank.

IT GOVERNANCE COMMITTEE

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

SOCIAL AND ETHICS COMMITTEE

The committee was established to monitor the Group's socio-economic development and transformation activities, and its adherence to generally accepted ethics standards, and to ensure it is seen as a good corporate citizen through its strategies to combat corruption, protect the environment, and labour and employment practices. The Group CEO and key representatives from management attend meetings of the committee. The committee meets at least four times a year.

STAMP ADVISORY COMMITTEE

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

STRATEGIC PLANNING COMMITTEE

The scope of the STP Committee, founded in 2014/15, extends to ensuring the necessary oversight within the legislative and regulatory framework, as contained in the Postal Services Act, SA Post Office SOC Limited Act, Dedicated Bank's Bill 2004, etc. and has been established to deal specifically with the activities of the SAPO.

In general the Committee is responsible to the Board for overseeing the overall strategic planning, budget and reporting process, stewardship and related reporting.

The Committee is further responsible to exercise oversight on initiatives implemented in order to address strategic issues identified from time to time.

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

The Board members serving on the STP committee since their appointment to the Board in August 2015 are:

Ms Nomahlubi Simamane (Chairperson)

Mr Robert Nkuna (Resigned 16 November 2016), replaced by Comfort Ngidi

Mr Mdu Zakwe.

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 Board of Directors of DOCEX comprises of non-executive directors appointed by the SA Post Office Group Board including independent non-executive directors with expertise in the courier and freight industry.

Board Composition

The DOCEX board consists of the following:

Dr LM Molefi (Chairperson) - Non Executive Director

Mr ZC Ngidi - Non Executive Director

Mr MA Barnes - Executive Director

Ms NJ Dewar - Executive Director

Subsidiary companies are represented at Group Board Committees and thus do not have their own separate Board Committees.

THE COURIER AND FREIGHT GROUP

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

AUDIT AND RISK COMMITTEE

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

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

The executive management, as mandated by the Board, has established an organisation-wide system of internal control to manage significant risks. There is on-going monitoring and reporting by Business Unit heads to provide feedback on the status of internal controls.

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

INTERNAL AUDIT

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

The primary scope in providing assurance includes:

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

The assurance mandate is informed by the results of the risk based Audit Coverage Plan, which is approved annually by the Board Audit Committee, as well as a rudimentary Combined Assurance Forum which was started during the current financial year, to assist with the monitoring of internal control, governance and risk management at an operational level in the business.

RISK AND REGULATORY COMPLIANCE

RISK MANAGEMENT

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

South African Post Office has adopted a Risk Management Policy and Framework aligned to the National Treasury Risk Management framework with the aim to institutionalise 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 levels within the organisation.

The Policy is aimed at:

- Ensuring the deployment of a common and systematic risk management operating standard across operational activities within the South African Post Office.
- Integrating risk management approach to direct decision making on deviations threatening achievement of goals and objectives;

- Ensuring the timely identification and measurement of risks across the organization as well as the deployment of appropriate mitigation strategies;
- Continuous identification and deliberation of risks that would negatively impact the functioning of the organization and therefor allowing risks or opportunities to be managed effectively.

Group 2016 – 2017 Risk Assessment

Anticipated steady improvement of the organisation's position (based on progressive risk management practices and imposed on the identified risk exposures over a four-year period) suggests that the organisation has improved and will be in a better position in future.

For the year under review the assessed residual risk that were identified at year end improved vis-á-vis the projected residual risk identified at the commencement of the year under review. Based on current trends it is projected that residual risk will significantly diminish by 2019.

For the year under review, various initiatives were undertaken in an effort to reduce the projected residual risk identified at the commencement of the year. Assessed residual risk improvements and deficiencies for the year under review were identified in the following categories:

- Brand Value
- Market Position
- Market Competition
- Postbank
- Operational Inefficiencies
- Ageing Infrastructure
- Financial Structure
- Contract Management
- Human Capital
- Poor Control Environment
- Universal Service Obligation And Non-Commercial Activities.

REGULATORY COMPLIANCE

As a State Owned Company, and a Schedule 2 public entity, the South African Post Office recognizes compliance as an integral part of governance and this regard has established appropriate structures and processes to ensure adequate and effective adherence to applicable statutes, guidelines, rules and codes.

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

SUPERVISION BY REGULATORS DURING THE YEAR UNDER REVIEW

FINANCIAL INTELLIGENT CENTRE

- The Financial Intelligence Centre (FIC) conducted their Annual Inspection to evaluate the Organisational compliance towards Financial Intelligence Centre Act (FICA). A report in this regard was issued and queries raised were addressed by the relevant business unit.

THE FINANCIAL SERVICES BOARD

- The Annual Compliance Report required in terms of Section 17(4) of the FAIS Act was submitted to the Financial Services Board (FSB).
- Annual levies were paid.

ICASA

- All four quarterly reports for the 2016/17 financial year have been filed with the ICASA.
- SAPO was required to roll-out 500 000 addresses nationally but only managed to roll-out 241 416. The shortfall of 258 584 will be rolled out during the 2017/18 financial year. The shortfall arose due to financial and resource constraints.

- The annual license fee of 0.55% of the audited annual turnover has been fully paid with no outstanding amounts owing.
- SAPO filed its annual Price Cap proposal during September 2016 for the 2017/18 financial year. The Authority approved an annual increase of 9.3% for the 2017/18 financial year

To this end, the South African Post Office has developed the following governance documents for approval by the Board and Executive Management:

- Compliance Policy
- Compliance Framework and Procedure Manual
- Compliance Universe

The laws that hold the most significant risk for the Organisation relates to, the SA Post Office licence requirements as determined by ICASA, the FAIS licence issued by the Financial Services Board, and other prescripts including, but not limited to:

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

Monitoring of compliance with the regulatory framework is done through independent assessments, and reporting is done regularly to the respective business and support units' management teams, the Group executive management, the Risk Management Committee and the Board.

RISK CONCLUSION

The past year under review was challenging. Although response strategies were develop for the organisation to claw back lost market share, the capital required to fund these strategies were only received during August 2016 via a budget vote of the Department of Telecommunications and Postal Services. The consequence of the late receiving of funds resulted in a deferred strategy implementation. The positive progression in the risk environment from the 2015/2016 to the assessed Risk Assessment 2017, as reflected in the Risk Assessment Graph 2016 – 2019, is based on the implementation of sound Risk Mitigation practices. The enhancement from 2016 to 2017 was achieved by improved control environment.

SOCIAL AND ETHICS COMMITTEE

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) as well as best practice recommendations in respect of social and ethical management.

The Committee additionally fulfils the role of a Group committee and therefore no other South African Post Office subsidiaries have established social and ethics committees.

This report describes how the committee discharged its responsibilities in respect of the financial year ended 31 March 2017 and will be presented to the shareholders at the 2017 annual general meeting.

A formal Social and Ethics Committee Charter is under review for adoption by the Board and guides the Committee to perform its oversight role to ensure that the Group conducts its business in an ethical and properly governed manner and to develop or review policies, governance structures and existing practices which guide the Group's approach to new and emerging challenges. The role of the Committee is, having regard to any relevant legislation, other legal requirements or standards of best practice, to monitor the following activities:

- Social and economic development, including the Company's' standing in terms of the goal and purposes of:

✓ The Organisation of Economic Co-operation and Development (OECD) recommendations regarding corruption;

✓ The Employment Equity Act (EE); and

✓ The Board Based Black Economic Empowerment Act (BBBEE).

- SAPO is and is seen to be a good corporate citizen by the:

- ✓ Promotion of equality, prevention of unfair discrimination and reduction of corruption;
- ✓ Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominately marketed; and
- ✓ Recordal of sponsorships, donations and charitable giving.
- The environment, health and public safety, including the impact of the company's activities and of its products and services;
- Consumer relationships, including the Company' advertising, public relations and compliance with consumer protection laws;
- Labour and employment policies and practices of SAPO, including:
- ✓ The Company's standing in terms of the International Labour Organisation (ILO) protocol on decent work and working conditions; and
- ✓ The Company's' employment relationships and its contribution toward the educational development of its employees.
- Ensuring that SAPO's ethics is managed effectively (as recommended in principle of King report on Governance, 2009);
- ✓ Leadership demonstrating support of ethics throughout SAPO;
- ✓ Ethical standards are articulated in a Code of Ethics and supporting ethics policies
- ✓ Ethics performance is included in the scope of internal audit and reported on in the annual report;
- ✓ Ethical risk and opportunities are incorporated in the risk management process;
- ✓ A strategy developed for managing ethics in the organisation;
- ✓ Processes are put in place to ensure that the various stakeholders within the organisation (Board's Committees and employees) are familiar with and adhere to the SAPO ethical standards; and
- ✓ Ethics is entrenched in the corporate culture of SAPO.
- The Committee shall investigate, review and resolve any matters arising from the scope of SAPO Code of Ethics, which are reported to the Committee or which it shall otherwise is or becomes aware of.
- The Committee shall ensure that policies and procedures required in order for SAPO to perform its responsibilities in respect of social and ethics matters are implemented and reviewed on an annual basis, or as required.

Meetings

In accordance with its Charter, the Committee is mandated to meet at least once a year. At each of its meetings the Committee receives reports from management, and in turn reports on relevant matters within its mandate to the Board. No substantive non-compliance with legislation and regulations relevant to the areas within the Committee's mandate has been brought to its attention during the period under review.

KEY FOCUS AREAS

Employment Equity and Broad Base Black Economic Empowerment

During the year under review, the company tracked the implementation of the BEE Codes of Good Practice, the intention being to implement practices across the group in a cohesive manner, and to embed the principles into the business practices.

Code of Conduct and Business Ethics

During the year under review, the 2014 Ethics Survey and Implementation Plan was reviewed for implementation. Implementation started after the period under review.

In terms of the group Code of Ethical Conduct, the South African Post Office focusses on:

- ✓ Personal Conduct
- ✓ Post Office Colleagues
- ✓ Security and trust
- ✓ Crime Prevention
- ✓ Political Interests
- ✓ Conflicts of Interest
- ✓ Gifts
- ✓ Hospitality and Entertainment
- ✓ Corporate Clothing
- ✓ Corporate Governance
- ✓ Service to Clients
- ✓ Service to the Community
- ✓ Caring About the Environment
- ✓ Supplier and Clients
- ✓ Competitive behaviour

Ethics Hotline

In support of the Code of Ethical Conduct and other similar initiatives, the South African Post Office offers an anonymous and externally managed by KPMG whistle blower tip off reporting hotline where any person can call and provide information pertaining to alleged breaches of the Group policies on a confidential and anonymous basis. This continues to provide an appropriate balance between encouraging reporting and discouraging malicious and frivolous reporting. A review of the hotline reporting process is carried out regularly.

ENVIRONMENTAL SUSTAINABILITY

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

The SA Post Office provides services such as mail delivery, banking and courier. Providing these services involves using vehicles, and that has an impact on the environment. Its buildings use electricity and water and its operations use paper and other resources.

CARBON MANAGEMENT

The carbon management section is divided into two sections. **Scope 1 emissions (direct emissions)** are the annual emissions of the transport fleet.

Scope 2 carbon emissions (indirect emissions) are derived from the electricity used by the SA Post Office. The targets is to reduce energy use by 2.5% per year.

WASTE MANAGEMENT

The target for paper consumption is a reduction of 2.5% compared to the year before, and for 95% of all paper to be recycled.

RESULTS AND DISCUSSION

CARBON MANAGEMENT

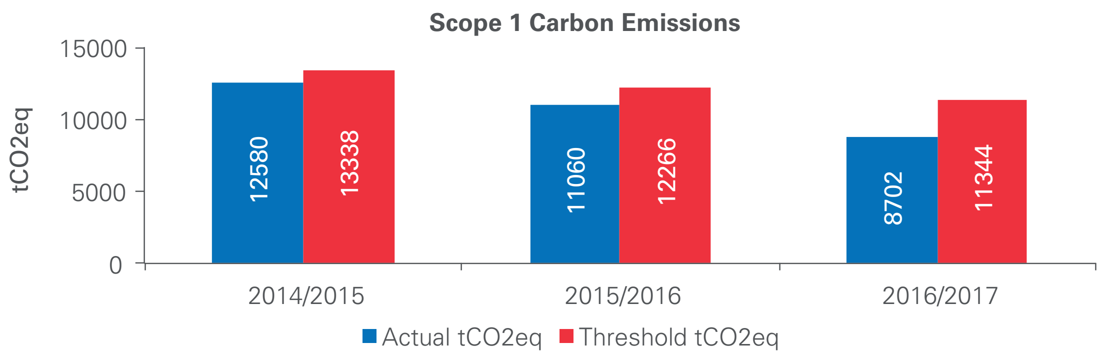


Figure 1: Scope 1 Carbon Emissions

The target for scope 1 emissions was met. The company emitted 8 702 tons for the year 2016/2017. This was 23% below the target of 11 344 tons.

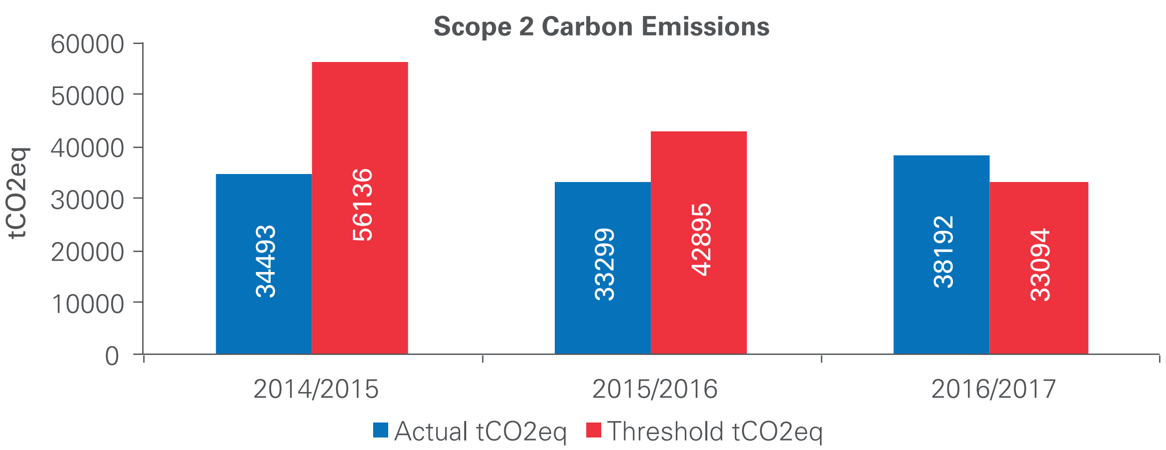


Figure 2: Scope 2 Carbon Emissions

The scope 2 target was not met. The organisation emitted 33 236 tons of carbon emissions; this exceeded the threshold of 33 094 tons by 0.42%.

ENERGY AND WATER MANAGEMENT

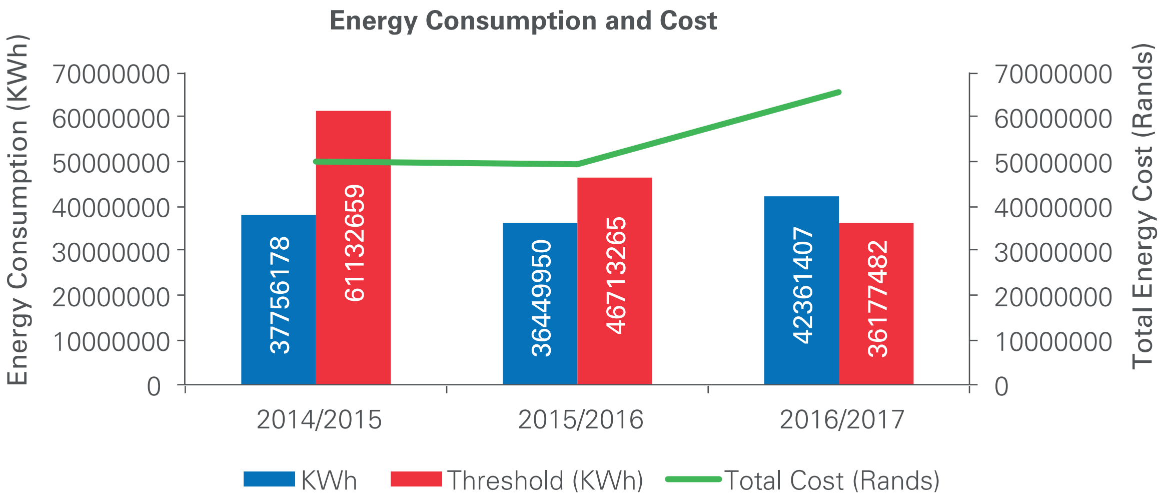


Figure 3: Total Energy consumption and Cost

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

WASTE MANAGEMENT

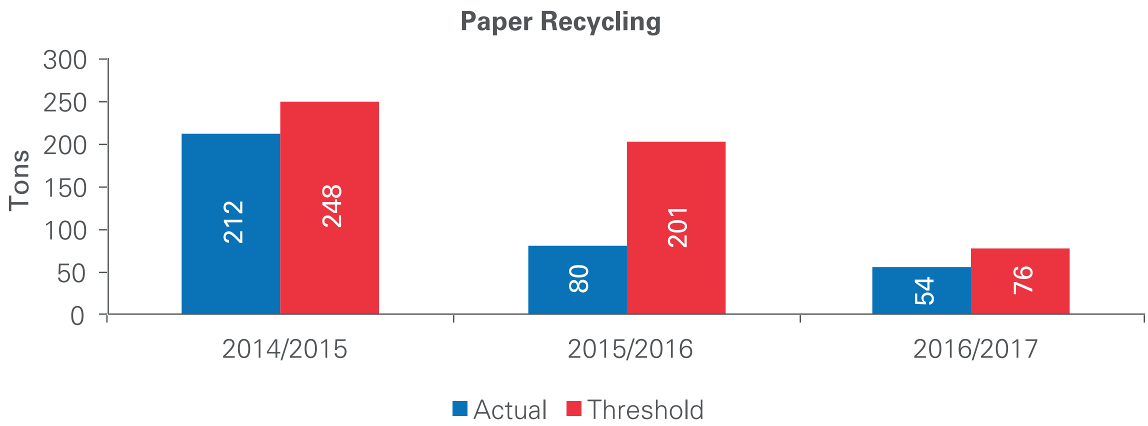


Figure 4: Paper recycling

The paper recycling target was not met; the target was to recycle 76 tons of paper.

PART D: HUMAN CAPITAL MANAGEMENT

HUMAN CAPITAL MANAGEMENT

Introduction

Human Resources at SAPO have stabilised during the period under review. The process of rebuilding the HR environment to enable achievement of the corporate plan objectives was started in 2016/17. The focus was on building a high performance culture through developing and capacitating the organisational structure; developing the capabilities of the workforce and re-establishing performance management whilst maintaining labour stability.

As a crucial driver of a high performance culture the objective was to re-establish the discipline of managing organisational and individual performance. This was done though a focus on aligning the corporate plan through the cascading of the goals and objectives to the management level in the different business units and the implementation of new tools and practices in performance management. The discipline of contracting, and conducting mid-year and year-end reviews was re-introduced with a high level of success. A new online paperless SharePoint site was designed to enable a streamlined process and immediate reporting.

SAPO also started the process of reviewing all its human resources policies to ensure alignment to legislation and to enable policy environment that support the attainment of organisational objectives. The consultation process with labour is the second phase of this programme and this will be embarked on in the new financial year.

The challenges faced by SAPO in its human resources environment are the continued development of the trust relationship between the organisation and its stakeholders, i.e. organised labour, the automation of its HR processes and systems to ensure a higher level of efficiency and compliance and the continued development the workforce to meet current and anticipated skills needs based on the strategic journey of transformation.

HUMAN RESOURCE OVERSIGHT STATISTICS

Staff Establishment

The SA Post Office's staff establishment was 18 729 as at 31 March 2017, compared to 20 781 at 31 March 2016. The 10% reduction during the year under review was as a result of natural attrition (1 200) and the implementation of a voluntary severance packages (768). A number of employees who took voluntary severance packages went on early retirement.

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Board	16	0	2	11
Top Management	34	5	6	33
Senior Management	387	5	39	252
Professional qualified	415	6	70	411
Skilled	2395	19	368	2993
Semi-skilled	15029	29	1324	13647
Unskilled	1605	0	159	1352
Total	**20781**	**64***	**1968**	**18729**

The staff numbers represent a stabilisation of the workforce as the organisation managed to convert all casual employees into permanent employees providing better working conditions and employment stability, leaving only 82 non-permanent positions in the Post Office group.

*Excludes internal promotions.

Attrition

The attrition rate from April 2016-March 2017 was 9,12%. This is also a positive trend from the previous year, where there was a higher level of attrition in especially the skilled workforce. The more positive employee engagement and increasing financial stability is attributed to this trend. The reasons for staff leaving the employment of SAPO is indicated in the table.

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	105	5%
Resignation	259	13%
Dismissal	571	29%
Retirement	231	12%
Ill health	14	1%
Expiry of contract	34	2%
Other (VSP)	754	38%
Total	**1968**	

Employment and vacancies

Changes in the strategic direction of the organisation and the operational model have necessitated a review of the SAPO organisational structure. The focus of the year under review was to embed the new Sales (previously Commercial) organisational structure and to finalise and capacitate management structures throughout the organisation to ensure greater accountability. The development of the organisational structures in the operational environment have started with revised crewing in Mail Business and Retail to be finalised in the next financial year.

A major focus to capacitate the structure was the filling of branch manager positions to ensure greater accountability and improve customer service in Retail in preparation for the Postbank Corporatisation. The focus was on internal recruitment as part of driving employee engagement and ensuring talent development whilst curtailing a rise in staff cost. The management of vacancies is closely aligned to the need to manage the cost structure of SAPO and all vacancies are reviewed, all new vacancies are reviewed and if possible roles are combined to reduce the number of vacancies.

Employment Cost

The total staff cost for the year under review was R3,7 billion. The staff cost amounts to 66% of the overall SAPO costs.

TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXP. AS A % OF TOTAL EXP. (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
5 572 952	3 687 427	66%	18 729	197

Despite the decrease in employee numbers the R9m nett increase in the overall salary cost was brought about by:

- The appointment of critical skills to enable the Postbank Corporatisation at a cost of R15m
- Addressing historical salary liabilities at a cost of R168m, to enable labour stability
- Once off conversion of casual employees at a cost of R140m
- Implementation of the first phase of Equal Pay for Work of Equal Value targeting Retail branch manager at a cost of R13,8m to improve morale and increase accountability.

The stabilisation in the salary bill was brought about through cost containment initiatives, which saved R2.7m in overtime and acting allowances for the period under review.

In August 2016, voluntary severance packages were implemented, with the cost being reflected from October 2016 to January 2017. The initiative reduced annual employment costs by R138m.

SAPO does not have a performance rewards system in place as a results of its financial situation. A key objective of the next financial year is the development of a variable remuneration programme with incentive schemes for the target programmes and employees. This is a crucial driver to establish a high performance culture and to re-establish the discipline of performance management

Learning and Development

The amount spent on training was R3,360m at an average cost of R226 per employee. This reduction of 31% was due to internal training interventions.

YEAR	#TRAINED	R SPENT	COST PER PERSON
2014/15	8,249	R4 467 765	R541
2015/2016	6,419	R2 079 849	R324
2016/2017	14,830	R3 360 000	R226

14 830 internal employees were trained during the 2016/2017 financial year. The training focused on the operations environment (Retail – 4420; Mail business - 3967; and other business areas - 6443).

PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST.	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE
3 687 427	3 360	0,09%	14 830	226

Training provided during the year under review focused primarily on increasing product knowledge and enhancing customer service, ensuring compliance (FIAS, FICA, ISO and Total Quality Management). A focus was also on training for managers in mentoring, coaching and performance management. A backlog in training on general computer skills was also addressed. As part of the voluntary severance programme training was offered in personal finance management and job-seeking skills.

Funding was approved by Service SETA for 250 learners to obtain a National Diploma in Customer Management and a Postal Frontline qualification respectively. To enhance governance and enhance accountability and transparency with labour partners, the Employment Equity & Skills Development Committee (ESDC) was re-instated during the 2016/2017 financial year.

Employment Equity

SAPO has reviewed its employment equity targets taking into account the level of natural attrition and the strategic workforce skills plan. Although SAPO largely mirrors the diversity profile of the economically active population, inroads have been made in ensuring greater representation at management level, specifically in the retail business in the african and coloured female target groups. The targets for african and coloured females at senior management have still not been reached and programmes have been implemented to address this.

	WHITE		AFRICAN		COLOURED		ASIAN		TOTAL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
NATIONAL EAP TARGET	6,78%	5,34%	39,12%	35,77%	5,38%	4,70%	1,79%	1,12%	
Top Management	6	2	13	5	0	1	6	0	**33**
Under/Over represented	18.18	6.06	39.39	15.15	0.00	3.03	18.18	0.00	
Senior Management	19	6	35	21	7	2	5	2	**97**
Under/Over represented	19.59	6.19	36.08	21.65	7.22	2.06	5.15	2.06	
Professional Qualified	90	59	250	181	39	26	40	8	**693**
Under/Over represented	12.99	8.51	36.08	26.12	5.63	3.75	5.77	1.15	
Skilled	295	243	838	1037	167	179	85	52	**2896**
Under/Over represented	10.19	8.39	28.94	35.81	5.77	6.18	2.94	1.80	
Semi-skilled	361	637	6063	4537	1010	547	264	90	**13509**
Under/Over represented	2.67	4.72	44.88	33.59	7.48	-	1.95	67	
Unskilled	7	10	351	937	69	125	2	0	**1501**
Under/Over represented	0.47	0.67	23.38	62.43	60	8.33	0.13	0.00	
TOTAL	**778**	**957**	**7550**	**6718**	**1292**	**880**	**402**	**152**	**18729**
	4.15	5.11	40.31	35.87	6.90	4.70	2.15	0.81	

Disabled employees account for only 0,08% of the total workforce with the South Africa's national average at 8% and the Post Office's own target is 2%. A disability management programme is being developed to address this.

Employment Relations

In the year under review, a total of 1274 misconduct cases were concluded nationally which led to 56 dismissals. 141 grievances were resolved across the organisation, which represent 0.7% of the total workforce

SAPO has three recognised trade unions and 80% of its bargaining unit employees belong to trade unions. The objective for the year under review was a re-commitment of all parties to sound labour relations and a review of all agreements that govern the relationship. Greats strides were made to agree on the principles of a new National Recognition Agreement and the parties are committed to finalising the process in the 2017/18 financial year. The year under review saw the fruits of these efforts with increased operational stability and no debilitating industrial action.

PART E: FINANCIAL STATEMENTS

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

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Qualified opinion

1. I have audited the consolidated and separate financial statements of the South African Post Office SOC Limited (Sapo) and its subsidiaries set out on pages 66 to 67, which comprise the consolidated and separate statement of financial position as at 31 March 2017, 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 consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Sapo and its subsidiaries as at 31 March 2017, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

BASIS FOR QUALIFIED OPINION

Property, plant and equipment

3. The Sapo changed its accounting policy regarding the measurement of land and buildings from the cost model to the revaluation model as explained in note 54 to the consolidated and separate financial statements. This resulted in the Sapo recognising an increase as a result of a revaluation as indicated in note 3 to the consolidated and separate financial statements. The Sapo did not calculate the amount recognised as an increase correctly when compared to the revaluation reports. In addition, outdated valuation reports were used. I was unable to determine the impact on the net carrying amount of property, plant and equipment and gains on valuation in note 3 to the consolidated and separate financial statements as it was impracticable to do so.

Contingencies

4. I was unable to obtain sufficient appropriate audit evidence for the contingent liabilities disclosed, as internal controls had not been established to maintain adequate records of contingencies by the Sapo group. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustment to the contingencies stated at R83 079 000 (2016: R82 904 000) in note 41 to the consolidated and separate financial statements was necessary.

Irregular expenditure

5. Section 55(2) (b) (i) of the PFMA requires the Sapo group to include in their annual financial statements particulars of any irregular expenditure. The Sapo group did not maintain supporting documentation to verify the non-compliance that has resulted in the irregular expenditure disclosed in note 48. Due to the lack of documentation, I was not able to confirm the amount of irregular expenditure disclosed by alternative means. Consequently, I was unable to determine whether any adjustment to irregular expenditure as disclosed in note 48 to the consolidated and separate financial statements was necessary.

Accumulation of immaterial uncorrected misstatements – operating loss

6. During 2016, operating loss amounting to R972 787 000 and R945 708 000 as disclosed in the consolidated and separated financial statements was misstated due to the cumulative effect of individually immaterial uncorrected misstatements in Revenue. International revenue included in revenue stated at R4 538 659 00 and R4 461 910 000 in the consolidated and separated financial statements was understated by R23 620 207 due it being incorrectly translated.

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7. In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm night duty and housing allowances amounting to R53 831 460, which is included in employee cost stated at R3 687 427 000 and R3 628 112 000 in the consolidated and separated financial statements. I was unable to confirm this through alternative means.
8. Consequently, I was unable to determine whether any further adjustments to operating loss were necessary. My opinion on the financial statements for the period ended 31 March 2016 was modified. My opinion on the current period's financial statements of the Sapo is also modified because of the possible effects of these matters on the comparability of the operating loss for the current period in the consolidated and separated financial statements.
9. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of my report.
10. I am independent of the Sapo group and company in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
11. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty related to going concern

12. I draw attention to note 45 to the consolidated and separate financial statements, which indicates that the Sapo group incurred a total loss for the year of R978 213 000 during the year ended 31 March 2017. The Sapo group did not generate sufficient revenues to finance its high cost base. These conditions, along of with other matters set forth in note 45, indicate that a material uncertainty exists on the Sapo group and company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Emphasis of matters

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

Restatement of corresponding figures

14. As disclosed in note 50 to the consolidated and separate financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the Sapo group at, and for the year ended, 31 March 2017.

Material impairments

15. As disclosed in note 8 to the separate financial statements, Sapo provided for the impairment of loans and receivables of R297 124 000 and R392 257 000 respectively, because Sapo was unable to recover long-outstanding debts from its subsidiary.

Other matter

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

Unaudited supplementary schedules

17. The supplementary information set out on pages 164 to 165 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Responsibilities of the board of directors, which constitutes the accounting authority

18. 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 IFRS and the requirements of the PFMA and the 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.

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19. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group and company'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 there is an intension either to liquidate the group and company or to cease operations, or there is no realistic alternative but to do so.

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

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

21. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

22. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic goals presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

23. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

24. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic goals presented in the annual performance report of the public entity for the year ended 31 March 2017:

STRATEGIC GOALS	PAGES IN THE ANNUAL PERFORMANCE REPORT
Strategic goal 1: Increase and diversify revenues	11
Strategic goal 3: Improve operational efficiency	13
Strategic goal 4: Sustainable delivery of social mandate	14

25.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.

The material findings in respect of the usefulness and reliability of the selected strategic goals are as follows:

Strategic goal 1: Increase and diversify revenues

25. The source of information and method of calculation for the achievement of the planned indicator was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPI).

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26. The target for this indicator was also not specific in clearly identifying the nature and required level of performance during the planning process, as required by the FMPPI.

Indicator: By 31 March 2017, return to revenue levels equal to the revenue achieved as 31 March 2009

27. The source of information and method of calculation for the achievement of the planned indicator was not clearly defined, as required by the FMPPI.

28. The target for this indicator was also not specific in clearly identifying the nature and required level of performance during the planning process, as required by the FMPPI.

Indicator: Achieve R600m revenue by 31 March 2017 in terms of the growth strategy for the private sector offerings

29. The source of information and method of calculation for the achievement of the planned indicator was not clearly defined, as required by the FMPPI.

30. The target for this indicator was also not specific in clearly identifying the nature and required level of performance during the planning process, as required by the FMPPI.

31. In addition, the reported achievement for the target was misstated as the evidence provided indicated that no revenue amount should have been reported for the growth in private sector revenue offerings as opposed to the R 2 million as reported in the annual performance report.

Indicator: Achieve R 400m revenue by 31 March 2017 in terms of the growth strategy for the government sector offerings

32. The source of information and method of calculation for the achievement of the planned indicator was not clearly defined, as required by the FMPPI.

33. The target for this indicator was also not specific in clearly identifying the nature and required level of performance during the planning process, as required by the FMPPI.

Strategic goal 3: Increase operational efficiency

Indicator: Build resilience into SAPO's IT connectivity

34. The source of information and method of calculation for the achievement of the planned indicator was not clearly defined, as required by the FMPPI.

35. The target for this indicator was also not specific in clearly identifying the nature and required level of performance during the planning process, as required by the FMPPI.

36. As a result of the inadequate technical indicator description for this indicator and its related target, as described in the paragraphs above, I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target disclosed as 16.5%. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 16.5%.

Indicator: Customer satisfaction index

37. The source of information and method of calculation for the achievement of the planned indicator was not clearly defined, as required by the FMPPI.

38. The target for this indicator was also not specific in clearly identifying the nature and required level of performance during the planning process, as required by the FMPPI

39. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 3.9 due to a limitation on the scope of my work as insufficient and inappropriate audit evidence being submitted to support the reported achievement. 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 of 3.9.

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Strategic goal 4: Sustainable delivery of Social Mandate

Various indicators

40. When the indicators listed below were planned, it was not determined how the achievements would be measured and monitored as the source of information and method of calculation of the achievements were not predetermined, as required by the FMPPI. Due to inappropriate technical indicator descriptions that could not clearly define the source of information and method of calculation, I was unable to obtain sufficient appropriate audit evidence to verify the reliability of the reported achievements. I was unable to confirm by alternative means whether the reported achievements of these indicators were reliable. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

Indicator	Strategic goal	Reported achievement
Achieve the regulated mail delivery standard of 92% as per the agreed delivery model with Icasa	Meet the mail delivery standard	73.6%
Mean time to recover priority incidents	IT performance and sustainability	6.93 hours MTTR
End-to-end service availability and performance	IT performance and sustainability	97.68% availability
Implement SLA's for all BU's	IT operations as measured against business SLAs	26%
Monthly SLA reviews	IT operations as measured against business SLAs	25%
% of top 10 IT projects across all BU's delivered on time	IT investments	0%

Other matter

41. I draw attention to the matter below.

Achievement of planned targets

42. Refer to the annual performance report on pages 168 to 174 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a significant number of targets. This information should be considered in the context of the material findings reported in paragraphs 26 to 41 of this report.

Adjustment of material misstatements

43. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Goal 3. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the material misstatements identified.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

45. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance report and annual report

46. 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 and section 29(1)

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(a) of the Companies Act. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Asset management

47. The company provided financial assistance to subsidiaries without approval by the shareholders per special resolution and without considering the solvency or liquidity of the company, in contravention of section 45 of the Companies Act.

Expenditure management

48. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph.
49. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R26 976 000, as disclosed in note 46 to the annual financial statements, in contravention of section 51(1)(b)(ii) of the PFMA. Most of the fruitless and wasteful expenditure resulted from interest incurred by Sapo on the late payment of suppliers.

Consequence management

50. Disciplinary steps were not taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA.
51. Disciplinary steps were not taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA.

Procurement and contract management

52. Some goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar instances of non-compliance were also reported in the prior year.

OTHER INFORMATION

53. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected strategic goals presented in the annual performance report that have been specifically reported on in the auditor's report.
54. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
55. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected strategic goals presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
56. I have not yet received the annual report. When I do receive this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected I may have to re-issue my auditor's report amended as appropriate.

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

INTERNAL CONTROL DEFICIENCIES

57. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

58. The leadership did not implement effective human resource management to ensure that sufficiently skilled resources are in place and individuals are hold accountable for the non-performance.

59. The lack of decisive action to mitigate emerging risks and implement timely corrective measures to address non-performance was evidenced by the failure of management to adequately address the internal and external audit findings in a timely manner. The entity failed to implement appropriate follow-up actions that adequately addressed the root causes.

60. The leadership did not establish and communicate adequate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.

Financial and performance management

61. The entity did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial reporting.

62. Effective financial systems and the management thereof had not been implemented to ensure accurate financial statements. Timeframes for the preparation and internal review of the financial statements were not adhered to, to ensure a comprehensive review of year-end adjustments and final financial statements.

63. Weekly and monthly reconciliations were not always adequately prepared for financial items during the year. This resulted in the entity being required to rely on manual reconciliations at year-end. Due to the volume of manual reconciliations required, assurance processes were not implemented in time to ensure that information was accurate and complete. As a result, a number of errors were identified in the reconciliations by the external auditors.

64. The annual performance report contained numerous items that could not be traced to supporting listings and documentation. This was due to staff within the reporting units not fully understanding the performance information requirements as set out in the FMPPI.

65. The design and implementation of formal controls over information technology systems were not adequate to ensure the reliability of the systems and the availability, accuracy and protection of information.

Governance

66. The 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.

67. A number of key oversight units were not adequately capacitated for a part of the year to deliver on their mandate, namely the risk, compliance and internal audit units.

68. Although a risk assessment framework was in place, management did not adequately monitor and report on the progress of controls implemented, or respond to new risks that may arise. Therefore, the entity's risk management processes were not considered adequate or effective.

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

OTHER REPORTS

69. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

70. The internal investigations unit at Sapo is conducting several investigations into financial misconduct. These investigations are on-going and could result in disciplinary proceedings against the parties concerned.

Auditor - General

Pretoria

31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Director's Responsibilities and Approval

We as the directors are required by the Companies Act 2008 to keep accurate and complete accounting records as necessary to enable the company to satisfy its obligations in terms of Companies Act 2008 and provide for the compilation of financial statements, and the proper conduct of an audit, of its annual financial statements.

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

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

We as the directors are responsible for the approval of the annual financial statements in compliance with Companies Act

2008, by acting in good faith, in the best interests of the company, for proper purpose; and with the degree of care, skill and diligence that may reasonably be expected us.

Based on the legal duties expected of us as described above, we hereby approve the annual financial statements as set out on pages 84 to 183, and are signed on our behalf by:

Director

Director

Centurion

31/07/2017

Declaration by the group company secretary in respect of Section 88(2)(e) of the Companies Act

Declaration by the group company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act, I, in my capacity as Acting Group Company Secretary certify that the group has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Mr JD Nieuwoudt

Acting Group Company Secretary

August 2017

Audit Committee Report

The Audit & Risk Committee hereby presents its report for the financial year ended 31 March 2017, in accordance with Treasury Regulations issued in terms of the PFMA and the Companies Act. The task of strengthening the systems of internal control was wide ranging and needed an integrated approach in improving governance, accountability and systems in general. Our combined assurance providers i.e. Internal Audit and Enterprise Risk Management have continued to play their role on giving the committee independent professional assurance but management still have a way to go, with regard to resolving key audit issues in a timely and sustainable manner, so that repeat audit findings can be effectively eliminated.

Although there is a definitive downward trend in the overall experience of regularizing contracts to ensure that irregular expenditure is ultimately eliminated, this remains an ongoing challenge. Although management have started to put certain processes in place, this issue of ongoing ineffective consequence management, remains a concern for the Committee, in this regard.

SAPO continued to experience skills shortages in critical areas within Finance during the current year, but management did proactively put a number of initiatives in place which has reasonably mitigated many of the concerns of the previous financial year. This included achieving significant improvement, to meeting the required deadlines for the submission, and improving the overall quality, of the annual financial statements

Recruitment of required skills within Finance, has also reached an advanced stage, placing the finance unit in a good position, going into the new financial year, to meaningfully improve the overall internal control framework.

MEMBERS

The Committee was established in accordance with the provisions of PFMA and the Companies Act. The Committee Charter requires that the Committee comprise of a minimum of three members. Membership is as follows:

NAME EFFECTIVE DATE NUMBER OF MEETINGS ATTENDED

NAME	EFFECTIVE DATE
Mr M E Zakwe	Appointed 13 August 2015
Ms BP Soci	Resigned 04 November 2016
Mr P E Rabohale	Appointed 13 August 2015
Mr Kgosie Matthews	Appointed 01 October 2016

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 regulation, 2011.

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

Chief Executive Officer, Chief Financial Officer, Chief Information Officer, Chief Audit Executive, Group Executive: Human Capital Management, Group Executive: Legal, Group Executive: Mail, Group Executive: Retail, Group Executive: Risk Management, Group Executive: Supply Chain Management, Managing Director: CFG (The Courier & Freight Group), Managing Director: DOCEX (The Document Exchange), Managing Director: Postbank, External Auditors.

Given the size and complexity of the group, the Board has combined the Audit and Risk Committees to ensure appropriate focus on identifying and managing the risks facing the group.

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 the Corporate Governance Report.

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.

Audit Committee Report (continued)

EFFECTIVENESS OF INTERNAL CONTROLS

The Committee acknowledges management's efforts to strengthen internal controls, and there has been some improvement through the last year. However, when seen in the context of the reports issued by External and Internal Audit, it is clear that management's efforts remain unsatisfactory in resolutely improving governance sustainably, at SAPO.

The Committee is concerned about the internal control weakness reported in prior years that have not been fully and satisfactorily addressed. This results in repeat audit findings. Management has given assurance that effective corrective action will be implemented in respect of all internal control weaknesses and the Committee will monitor these.

The Committee emphasised that punitive measures against the responsible officials are required in instances of noncompliance of which to date, remains unsatisfactory.

The Committee heightened levels of work ethic, accountability, and this should be addressed through a fair and rigorous application of the performance management system and adherence to defined risk tolerance levels informed by the group's risk appetite.

Although a performance management system is in place, it remains immature and is not yet effective to ensure executive performance can be objectively gauged.

It is of serious concern to the Committee that the performance targets of the organisation, have once again not been materially achieved. This is a strategic focus area that management must place significant effort on in the new financial year – this reflects directly on the status of the Strategy and Corporate plan of SAPO.

Vacancies undermine the effective functioning of the system of internal control and it is imperative that management reviews its recruitment procedures and processes to ensure that vacancies are filled expeditiously with properly qualified, skilled and experienced personnel. These vacancies have not been filled but instead SAPO sourced these skills from outside professional services firms.

Owing to the strategic importance of and huge dependence on information and communication technology (ICT), the Committee emphasized the need for an ICT environment to operate at an optimal level and supported with the required infrastructure refresh.

Steady progress has been made however problems caused by people dynamics, inadequate skills and resources has resulted in ICT not being able to optimally support the business of SAPO.

The SA Post Office has adopted aggressive anticorruption measures to prevent the frequency and magnitude of fraud and corruption.

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;

Effectiveness of the Enterprise Risk Management Unit;

Ongoing improvement to the strength of the SCM processes to ensure elimination of irregular expenditure; Embedding of a combined assurance model;

Improving quality of financial and operational reporting and monitoring.

THE QUALITY OF MANAGEMENT / MONTHLY / QUARTERLY REPORTS SUBMITTED IN TERMS OF THE PFMA

The Committee urges management to seriously improve the content and quality of the financial reports prepared and issued by management, in compliance with the statutory reporting framework particularly in adhering to the set deadlines.

The Committee has requested that management prepare quarterly financial statements so that SAPO brings back that financial and accounting discipline that will prepare them well for year-end closure and possibly stop the deferring of accounting issues like reconciliations, suspense accounts, tax computations etc.

Audit Committee Report (continued)

INTERNAL AUDIT FUNCTION

The Committee is satisfied that Internal Audit has properly discharged its functions and responsibilities during the year under review. The capacity of Internal Audit remains a concern and it still needs further professionals to be able to complete their planned work and required intervention where management need guidance. The appointment of a Co Source IT auditing partner in the new financial year, has gone some way towards meeting this requirement.

Improved capacity will contribute to Internal Audit becoming more efficient, more responsive to the challenges and providing audit reports of a high quality to management and the Committee on a timely basis.

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 SA Post Office's multiple locations. The committee is however concerned about management who are not taking the work of Internal Audit seriously.

Throughout the audit cycle, audit issues are being raised and later affirmed by the External Auditors to which management gives minimal response in terms of concrete action plans to address identified audit deficiencies.

ENTERPRISE RISK MANAGEMENT UNIT

The committee is satisfied with the participation of the Risk Unit during the design of a corporate plan and want to emphasise that the Risk Unit should further look into making the current risk register more robust and be in line with SAPO's risk appetite and tolerance levels.

Improved capacity will contribute to risk management becoming more embedded, thus enabling business units to mature their risk management processes.

The committee is concerned however that SAPO still has not yet set tolerance levels and neither have they defined and adopted a risk appetite framework that is meant to guide the Board, committees and management on the management of enterprise risks within the organisation.

EVALUATION OF THE FINANCIAL STATEMENTS

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

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, and Commentary on Annual Financial Statements prepared by the organisation

EXTERNAL AUDITORS REPORT

The Committee concurs with and accepts the conclusions and the audit opinion of the External Auditors on the financial statements and is of the view that the financial statements be accepted and read together with the report of the External Auditors. The Committee confirms that it has been actively involved throughout the audit process and is thoroughly appraised of the issues supporting the audit opinion. The Committee appreciates the enormity of the challenge associated with improving the systems of internal control with less than adequate skills, resources, and IT systems however SAPO should endeavour to improve their planning and their capacitation measures so that they are better prepared for the audit cycles.

Audit Committee Report (continued)

APPRECIATION

The Committee recognises and acknowledges the hard work put in by SAPO. We believe that management, under the leadership and guidance of the GCEO will yield the desired level of good governance across SAPO in the near future and that all emerging risks and internal control challenges as reported by assurance providers in their operations during the year under review will be given due care and determination to have them resolved and not become repeat findings.

We wish to place on record our gratitude to the Minister and SAPO Management for the support during the financial year as well as AGSA, Internal Audit and Enterprise Risk Management Unit for their consistent value-adding contributions.

On behalf of the Committee:

Mr ME Zakwe

Chairman Audit Committee

31/07/2017

Director's Report

The Board of Directors are pleased to present their report for the year ended 31 March 2017.

1. Incorporation

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

2. Holding company

The Group's holding company is South African Post Office SOC Ltd (SA Post Office) and the shareholder holds 100% (2016: 100%) of the Group's equity shares. The SA Post Office is incorporated in the Republic of South Africa.

3. Ultimate holding entity

The Group's ultimate holding entity is the South African Government which is represented by the Department of Telecommunications and Postal Services.

4. Nature of business

The SA Post Office was incorporated in South Africa with interests in the communication and services industry.

The activities of the Group are undertaken through the company and its principal subsidiaries. The Group operates principally in South Africa.

The business of the group is:

- The provision of universal, accessible, reliable and affordable postal services to the people of the Republic of South Africa in terms of the SA Post Office Act No. 22 of 2011 (as amended) and the Postal Services Act No. 124 of 1998 (as amended);
- To conduct the business of a bank that will encourage and attract savings amongst the people of the Republic of South Africa in accordance with the Postbank Act No. 9 of 2010 (as amended) and the relevant sections of the Postal Services Act No. 124 of 1998.
- To provide an infrastructure for the movement of paper and electronic documents between members in various industries and become the preferred delivery partner in the judicial system; and
- To provide courier, freight and related logistical services to citizens and business, within and beyond the South African boundaries.
- To provide agency services.

The business of the Group is conducted through its operating divisions: Mail, Retail and Postbank 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.

There have been no material changes to the nature of the Group's business from the prior year.

5. Directorate

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

Directors	Office	Designation	Changes
Dr S Lushaba	Chairperson of the Group	Board: Non-executive Independent	Resigned 15 December 2016.
Dr LM Molefi	Director: Group	Non-executive Independent	
Mr ZC Ngidi	Director: Group	Non-executive Independent	Appointed Acting Chairperson 22 December 2016.
Mr ZK Matthews	Director: Group	Non-executive Independent	Appointed 1 October 2016.
Mr RD Nkuna	Director: Group	Non-executive Independent	Resigned 16 November 2016.
Mr Rabohale PE	Director: Group	Non-executive Independent	Appointed 13 August 2015
Mr PE Rabohale	Director: Group	Non-executive Independent	
Ms NV Simamane	Director: Group	Non-executive Independent	Appointed Acting Deputy Chairperson 22 December 2016

Directors' Report (continued)

Directors	Office	Designation	Changes
Ms LD Marole	Director: Group	Non-executive Independent	
Ms BP Soci	Deputy Chairperson of the Board	Non-executive Independent	Resigned 4 November 2016
Mr MA Barnes	CEO: Group	Executive	
Ms L Kwele	COO: Group	Executive	Appointed GCOO 5 June 2017
Ms NJ Dewar	CFO: Group	Executive	Appointed GCFO 12 December 2016

6. Directors' interests in contracts

Refer to note 42 for all contracts that were entered into in which the Directors or officers of the group had an interest.

7. Secretary

As of 07 July 2016, Mr K Nieuwoudt was appointed acting Group Company Secretary.

Postal address

PO Box 10000

Pretoria

0001

Business address

350 Witch Hazel Avenue

Highveld Extension 70

Centurion

0157

8. Auditors

The Shareholder reappointed the Auditor-General of South Africa as auditor for the company and its subsidiaries at the annual general meeting held on 23 September 2016.

9. 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.

The accounting policies have been applied consistently compared to the prior year except for the change in accounting policy, refer to note 54.

The operating environment has been challenging for the SA Post Office during the 2016/17 financial year and revenue continued to be depressed driven mainly by the declines in mail volumes, logistics volumes and loss of customers. The mail revenue business represents 71% of total Group revenues.

Group revenue decreased by 4.1% from R 4,733 billion in the prior year to R 4,539 billion for the year ended 31 March 2017 despite the tough retail environment.

The Group recorded a loss after tax for the year ended 31 March 2017 of R 978 million, this represented a decrease of 12% from the net loss after tax of the prior year of R1,112 billion.

The Group cash flows used in operations increased from R 686 million in the prior year to R 1,737 million for the year ended

31 March 2017. This includes the settlement of certain prior period obligations in the current year. Capital expenditure for the year amounted to R 53,67 million (2016: R 45,7 million).

Government subsidy funds transfer of R 255 million was received during the current year for the delivery of equipment as part of the Digital Terrestrial Television programme, as well as the address expansion projects.

Directors' Report (continued)

10. Liquidity and solvency

The Board of Directors have performed the required liquidity and solvency test required by the Companies Act.

The company's financial position is stronger with the carrying value of total assets exceeding the total carrying value of liabilities by R 1 billion, in the prior year, total liabilities exceeded total assets by R242 million. The Board of directors are therefore comfortable with the solvency position of the company.

The company experienced cash flow constraints during the financial year but it has adequate financial resources (with shareholder support) to continue in operation for the foreseeable future, although it requires an equity injection to address short term liquidity constraints as well to reach the proposed debt to equity structure.

11. Property, plant and equipment, and investment property

There was no change in the nature of the property, plant and equipment of the Group or in the policy regarding their use. The accounting policy for property, plant and equipment and investment properties changed from the cost model to the fair value model.

At 31 March 2017 the Group's investment in investment properties, and property, plant and equipment amounted to R 2,694 billion (2016: R 1,011 billion), the significant portion of the increase is due to revaluation of the land and buildings at year end.

There were no significant asset disposals or significant asset write-offs in the period.

The Group has commitments in respect of contracts placed for capital expenditure to the amount of R 77 million

(2016: R 97 million).

The Group also has commitments in respect of contracts placed for operating leases of R 1,008 billion (2016: R 611 million) over the period of the lease. These commitments have been approved by the respective Group companies. Refer to note 40 of the financial statements for further details.

The useful lives and residual values of certain property, plant and equipment have been revised during the year. Refer to note 51 for more detail of these revisions. In terms of the Independent Communications Authority of South Africa (ICASA) license agreement, the SA Post Office is required to own a museum which contains assets of an historical nature, including stamps, paintings, artefacts and machinery. These assets have been assessed for impairment and recognised at fair value of R 46 million. Refer to note 5 for more detail.

12. Interests in subsidiaries

Details of material interests in subsidiary companies are presented in the separate and consolidated annual financial statements in note 7.

The interest of the Group in the profits and (losses) of its subsidiaries before inter Group eliminations for the year ended 31 March 2017 are as follows:

	2017	2016
	R '000	**R '000**
Subsidiaries		
Sapos Properties (Bloemfontein) (Pty) Ltd	3,423	(60)
Sapos Properties (Erf 145018 Cape Town) Pty) Ltd	13,384	(190)
Sapos Properties (East Rand) (Pty) Ltd	37,594	319
Sapos Properties (PE) (Pty) Ltd	1,368	182
Sapos Properties (Rossburg) (Pty) Ltd	6,659	1,369
The Courier and Freight Group (Pty) Ltd	(51,961)	(114,801)
The Document Exchange (Pty) Ltd	(322)	(2,922)
Total interest in profits and losses after tax	**10,145**	**(116,103)**

Directors' Report (continued)

13. Share capital

	2017	2016
Authorised	**Number of shares**	
Ordinary shares	1,000,000,000	1,000,000,000

	2017	2016	2017	2016
Issued	**R '000**	**R '000**	**Number of shares**	
Ordinary shares	693,116	693,116	693,115,879	693,115,879

14. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board of directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may pass on the payment of dividends. Given the current constrained cash flows of the company, the board of directors has not declared a dividend by the SA Post Office during the financial year ended March 31, 2017 (2016: R0).

15. Fruitless and wasteful and irregular expenditure

As per the requirement of the PFMA, the SA Post Office has formulated a Financial Misconduct Framework to enable the management of financial misconduct activities such as fruitless & wasteful and irregular expenditure. The Financial Misconduct Committee (FMC) is mandated through the Group's financial misconduct policy to regulate, monitor and report on all fruitless, wasteful and irregular expenditure and institute management consequences that need to be implemented as a result thereof. Irregular expenditure is expenditure other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation or Treasury Regulation.

Categories of irregular expenditure include:

- Expenditure incurred as a result of non-compliance with a Treasury regulation;
- Expenditure incurred as a result of procuring goods or services by means other than through competitive bids; and
- Expenditure incurred as a result of non-compliance with a requirement of the institution's delegation of authority framework.

The total fruitless and wasteful expenditure under investigation identified for the Group for the year amounted to R27 million (2016: R7 million). Refer to note 46 for more detail.

The total irregular expenditure under investigation identified for the Group for the year amounted to R309 million (2016: R151 million). Refer to note 48 for more detail.

16. Insurance and risk management

The Group follows a policy of reviewing the risks relating to assets and possible liabilities arising from business transactions with its insurers on an annual basis. Wherever possible assets are automatically included. There is also a continuous asset risk control program, which is carried out in conjunction with the Group's insurance brokers. All risks are considered to be adequately covered, except for political risks, in the case of which as much cover as is reasonably available has been arranged.

17. Borrowing limitations

The company is a Schedule 2 entity as per the PFMA. In terms of Section 66(3)(a), the accounting authority may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that public entity to any financial commitment without prior approval. In terms of the SA Post Office Act, the concurrent approval of both the Minister of Telecommunications and Postal Services and the Minister of Finance is required for borrowing. At end of 2017 financial year, the approved borrowing limits are R 4,0 billion (2016: R 1,72 billion) backed by R 4,44 billion guarantees from the shareholder.

Directors' Report (continued)

18. Special resolutions

No special resolutions, the nature of which might be significant to the shareholder in their appreciation of the state of affairs of the group were made by the Group or any of its subsidiaries during the period covered by this report.

19. Material transactions

A section 54 PFMA application for approval to transfer the business of the Courier and Freight Group (Pty) Limited into the Speed Services division of the SA Post Office was submitted to the minister of Telecommunications and Postal Services during the year. Employees of Courier and Freight Group (Pty) Ltd. (CFG) were transferred to SA Post Office on their existing contractual terms and conditions with effect from 1 September 2016.

20. Events after the reporting period

The directors are not aware of any significant events after the reporting period.

21. Going concern

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

The Department of Telecommunications and Postal Services allocated R650 million in the 2017 financial year for the capitalisation of SAPO. The Government has issued SAPO with a Government guarantee of R4,17 billion and R3,7 billion utilised to acquire external funding. SAPO has been tasked with managing the distribution of set-top boxes and antennae for the broadcasting digital migration project, and was allocated R240 million in the 2017 financial year, with a further allocation of R240 million in the 2018 financial year.

For the year ended 31 March 2017 the Group generated a net loss of R978 million (2016:R1,1 billion). The organization has been experiencing cash constraints and has not had sufficient working capital. The cause of the deterioration of the Group's liquidity position is both due to internal and external factors, such as the migration of customers towards digital communication, general decline in the mail business volumes and revenue as well as an inappropriate and inefficient business model. This has resulted in the Group not generating sufficient revenue to finance its high cost base and thus a material uncertainty of the entity's ability to continue as a going concern for the foreseeable future. SAPO is arranging an additional working capital facility of R 400 million, and is assessing the extent of surplus capital in the Postbank Division that should be retained at Group level. In addition, several significant revenue initiatives are beginning to bear fruit, with contracts in progress.

The South African Postbank SOC Limited legal entity submitted their section 16 application for registration as a bank to the Banking Supervision Department of the South African Reserve Bank in June 2017. The timing of transfer of assets and liabilities from the Postbank Division of SAPO to the new SA Postbank SOC Limited entity is uncertain. SAPO has applied to its shareholder for an equity injection to ensure that the ultimate holding company is not technically insolvent as a result of the transfer.

The Board has also approved implementation of revenue upliftment initiatives that will see a further R768 million improvement in cash-flows within the 2018 financial year.

The company's financial position is stronger, with the carrying value of total assets exceeding the total carrying value of liabilities by R1 billion. The directors believe that the company has adequate financial resources and government support to continue in operation for the foreseeable future, and accordingly, the annual financial statements have been prepared on a going concern basis.

22. Litigation statement

The Group becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. Refer to note 41 for more details regarding these.

Directors' Report (continued)

23. Postbank corporatisation

During the 2011 financial period, the South African Postbank Limited Act No. 9 of 2010 was signed into law providing for the establishment of a subsidiary company of the SA Post Office, namely the South African Postbank SOC Limited, to which the designated assets and liabilities of the current Postbank division will be transferred in terms of the Postbank Act No.9 of 2010. It is envisaged that the new subsidiary will operate as a fully-fledged bank and will be regulated in terms of the Banks Act. The Application to Establish a Bank was submitted to the South African Reserve Bank on 25 September 2013. Postbank is in the process of strengthening its banking capabilities.

The South African Postbank SOC Limited company has been registered, and the first Postbank board of directors have been appointed.

24. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the Board of Directors on 31 July 2017.

25. Acknowledgements

Thanks and appreciation is extended to all of the SA Post Office's Shareholder, staff, suppliers and consumers for their continued support of the Group.

Comfort Ngidi

Acting Chairperson

Statement of Financial Position as at March 31, 2017

		Group			Company		
		2017	Restated* 2016	Restated* 2015	2017	Restated* 2016	Restated* 2015
	Note(s)	R '000	R '000	R '000	R '000	R '000	R '000
Assets							
Non-Current Assets							
Property, plant and equipment	3	2,519,893	967,809	1,113,668	2,436,063	953,806	1,099,572
Investment property	4	173,581	43,086	55,922	161,534	39,858	52,599
Heritage assets	5	46,247	46,247	21,965	46,247	46,247	21,965
Intangible assets	6	137,616	133,444	124,811	137,611	133,396	124,720
Investments in subsidiaries	7	-	-	-	31,933	5,279	5,884
Loans to group companies	8	-	-	-	-	538	-
Other financial assets	9	792,268	617,883	741,190	792,268	617,883	741,190
Operating lease asset	10	4,703	3,530	1,996	3,733	3,313	1,939
Retirement benefit asset	11	32,173	15,117	12,711	32,173	15,117	12,711
Deferred tax	12	297	727	-	-	-	-
Prepayments	13	1,548	10,107	20,693	1,548	10,107	20,693
		3,708,326	**1,837,950**	**2,092,956**	**3,643,110**	**1,825,544**	**2,081,273**
Current Assets							
Inventories	14	70,001	54,784	67,845	69,975	54,740	67,742
Trade and other receivables	15	413,800	411,976	344,898	395,774	393,921	293,656
Other financial assets	9	5,118,846	4,863,690	3,745,217	5,118,846	4,863,690	3,745,217
Operating lease asset	10	141	116	116	107	142	134
Prepayments	13	16,511	16,138	27,351	16,511	16,138	27,351
Current tax receivable		-	-	114	-	-	-
Cash and cash equivalents	16	4,055,510	2,885,035	3,413,931	4,033,842	2,871,479	3,387,881
		9,674,809	**8,231,739**	**7,599,472**	**9,635,055**	**8,200,110**	**7,521,981**
Total Assets		**13,383,135**	**10,069,689**	**9,692,428**	**13,278,165**	**10,025,654**	**9,603,254**
Equity and Liabilities							
Equity							
Share capital	17	693,116	693,116	200,940	693,116	693,116	200,940
Reserves		2,563,625	268,193	557,791	2,492,018	268,193	557,791
Accumulated loss		(2,227,782)	(1,203,241)	(69,764)	(2,144,211)	(1,150,725)	(41,955)
		1,028,959	**(241,932)**	**688,967**	**1,040,923**	**(189,416)**	**716,776**
Liabilities							
Non-Current Liabilities							
Other financial liabilities	22	3,700,980	-	-	3,700,980	-	-
Operating lease liability	10	69,004	62,972	73,490	69,004	62,954	73,337
Retirement benefit obligation	11	1,202,166	1,246,562	1,320,578	1,202,166	1,246,178	1,320,070
Deferred tax	12	18,809	159	37	-	-	-
Provisions	20	400,472	378,719	303,280	397,983	371,405	298,575
		5,391,431	**1,688,412**	**1,697,385**	**5,370,133**	**1,680,537**	**1,691,982**

Statement of Financial Position as at March 31, 2017

		Group			Company		
		2017	Restated* 2016	Restated* 2015	2017	Restated* 2016	Restated* 2015
	Note(s)	R '000	R '000	R '000	R '000	R '000	R '000
Current Liabilities							
Trade and other payables	21	887,551	1,492,814	1,399,448	800,691	1,423,484	1,310,104
Other financial liabilities	22	-	1,008,246	-	-	1,008,246	-
Operating lease liability	10	11,215	6,141	3,729	10,964	6,097	3,515
Retirement benefit obligation	11	136,294	150,202	131,243	136,294	150,144	131,202
Deferred income	23	223,677	258,635	268,997	214,698	250,804	259,330
Current tax payable	39	638	419	13	-	-	-
Provisions	20	321,895	551,221	469,731	322,987	540,227	457,430
Deposits from the public	24	5,031,988	4,820,226	4,838,358	5,031,988	4,820,226	4,838,358
Funds collected on behalf of third parties	25	83,361	105,892	115,828	83,361	105,892	115,828
Government grants	55	266,126	-	-	266,126	-	-
Bank overdraft	16	-	229,413	78,729	-	229,413	78,729
		6,962,745	**8,623,209**	**7,306,076**	**6,867,109**	**8,534,533**	**7,194,496**
Total Liabilities		**12,354,176**	**10,311,621**	**9,003,461**	**12,237,242**	**10,215,070**	**8,886,478**
Total Equity and Liabilities		**13,383,135**	**10,069,689**	**9,692,428**	**13,278,165**	**10,025,654**	**9,603,254**

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
		2017 R '000	Restated* 2016 R '000	2017 R '000	Restated* 2016 R '000
	Note(s)	R '000	R '000	R '000	R '000
Revenue	28	4,538,659	4,733,377	4,461,910	4,590,056
Other income	29	227,733	88,095	202,516	128,865
Operating expenses		(1,398,568)	(1,781,597)	(1,343,241)	(1,769,172)
Employee costs		(3,687,427)	(3,481,673)	(3,628,112)	(3,340,633)
Transport costs		(346,121)	(394,439)	(321,568)	(335,687)
Total depreciation, amortisation and impairments	30	(140,836)	(136,550)	(170,983)	(219,137)
Operating loss	31	**(806,560)**	**(972,787)**	**(799,478)**	**(945,708)**
Interest and dividend income	32	830,174	585,280	832,345	584,218
Fair value adjustments	33	77,849	14,745	77,849	14,745
Finance expense	34	(1,060,079)	(738,976)	(1,057,879)	(737,780)
Loss before taxation		**(958,616)**	**(1,111,738)**	**(947,163)**	**(1,084,525)**
Income tax expense	35	(19,597)	134	-	-
Loss for the year		**(978,213)**	**(1,111,604)**	**(947,163)**	**(1,084,525)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability		(46,358)	(24,755)	(46,358)	(25,511)
Gains and (losses) on valuation	36	1,630,466	24,306	1,558,859	24,306
Total items that will not be reclassified to profit or loss		**1,584,108**	**(449)**	**1,512,501**	**(1,205)**
Items that may be reclassified to profit or loss:					
Available-for-sale financial assets adjustments		10,795	4,272	10,795	4,272
Total items that may be reclassified to profit or loss		**10,795**	**4,272**	**10,795**	**4,272**
Other comprehensive income (loss) for the year net of taxation	36	**1,594,903**	**3,823**	**1,523,296**	**3,067**
Total comprehensive income (loss) for the year		**616,690**	**(1,107,781)**	**576,133**	**(1,081,458)**

Statement of Changes in Equity

	Issued share capital	Revaluation reserve	Fair value adjustment assets-available-for-sale reserve	Convertible shareholder instruments	Total reserves	Accumulated loss	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Group							
Balance at 01 April 2015	**200,940**	**-**	**65,615**	**492,176**	**557,791**	**(69,764)**	**688,967**
Loss for the year	-	-	-	-	-	(1,111,604)	(1,111,604)
Other comprehensive income for the year	-	24,306	4,272	-	28,578	(24,755)	3,823
Total comprehensive loss for the year	**-**	**24,306**	**4,272**	**-**	**28,578**	**(1,136,359)**	**(1,107,781)**
Issue of shares	492,176	-	-	(492,176)	(492,176)	-	-
Convertible loans from shareholder	-	-	-	174,000	174,000	-	174,000
Opening adjustment	-	-	-	-	-	2,882	2,882
Total contributions by owners of company recognised directly in equity	**492,176**	**-**	**-**	**(318,176)**	**(318,176)**	**2,882**	**176,882**
Balance at 01 April 2016	**693,116**	**24,306**	**69,887**	**174,000**	**268,193**	**(1,203,241)**	**(241,932)**
Loss for the year	-	-	-	-	-	(978,213)	(978,213)
Other comprehensive income for the year	-	1,630,466	10,795	-	1,641,261	(46,358)	1,594,903
Total comprehensive loss for the year	**-**	**1,630,466**	**10,795**	**-**	**1,641,261**	**(1,024,571)**	**616,690**
Convertible loans from shareholder	-	-	-	650,000	650,000	-	650,000
Opening adjustment	-	-	-	-	-	30	30
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**650,000**	**650,000**	**30**	**650,030**
Balance at 31 March 2017	**693,116**	**1,654,772**	**84,853**	**824,000**	**2,563,625**	**(2,227,782)**	**1,028,959**
Note(s)	17	36	18&36	19		36	

Statement of Changes in Equity (continued)

	Issued share capital	Revaluation reserve	Fair value adjustment assets-available-for-sale reserve	Convertible shareholder instruments	Total reserves	Accumulated loss	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Company							
Balance at 01 April 2015	**200,940**	**-**	**65,615**	**492,176**	**557,791**	**(41,955)**	**716,776**
Loss for the year	-	-	-	-	-	(1,084,525)	(1,084,525)
Other comprehensive income for the year	-	24,306	-	-	24,306	(25,511)	(1,205)
Total comprehensive loss for the year	**-**	**24,306**	**-**	**-**	**24,306**	**(1,110,036)**	**(1,085,730)**
Issue of shares	492,176	-	-	(492,176)	(492,176)	-	-
Convertible loans from shareholder	-	-	-	174,000	174,000	-	174,000
Opening adjustment	-	-	-	-	-	1,266	1,266
Total contributions by owners of company recognised directly in equity	**492,176**	**-**	**-**	**(318,176)**	**(318,176)**	**1,266**	**175,266**
Balance at 01 April 2016	**693,116**	**24,306**	**69,887**	**174,000**	**268,193**	**(1,150,725)**	**(189,416)**
Loss for the year	-	-	-	-	-	(947,163)	(947,163)
Other comprehensive income for the year	-	1,558,859	10,795	-	1,569,654	(46,358)	1,523,296
Total comprehensive loss for the year	**-**	**1,558,859**	**10,795**	**-**	**1,569,654**	**(993,521)**	**576,133**
Convertible loans from shareholder	-	-	-	650,000	650,000	-	650,000
Opening adjustment	-	-	-	-	-	35	35
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**650,000**	**650,000**	**35**	**650,035**
Balance at 31 March 2017	**693,116**	**1,583,165**	**84,853**	**824,000**	**2,492,018**	**(2,144,211)**	**1,040,923**
Note(s)	17	36	18&36	19	36		

Statement of Cash Flows

		Group		Company	
			Restated*		Restated*
		2017	2016	2017	2016
	Note(s)	R '000	R '000	R '000	R '000
Cash flows from operating activities					
Cash used in operations	38	(1,507,056)	(526,439)	(1,499,331)	(513,911)
Interest and dividend income		830,173	579,110	832,345	578,052
Finance expense		(1,060,079)	(738,976)	(1,057,879)	(737,780)
Tax received (paid)	39	154	(65)	-	-
Net cash from operating activities		**(1,736,808)**	**(686,370)**	**(1,724,865)**	**(673,639)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(17,242)	(4,208)	(17,242)	(4,207)
Proceeds from sale of investment property	4	-	193	-	193
Purchase of other intangible assets	6	(37,132)	(41,583)	(37,132)	(41,583)
Change in Estimates Property plant and equipment		-	36,435	-	36,434
Increase inter group loans and receivables		-	-	(20,053)	(538)
Increase in financial assets		(340,896)	(980,421)	(340,897)	(980,421)
Dividends received		1	6,170	-	6,166
Net cash from investing activities		**(395,269)**	**(983,414)**	**(415,324)**	**(983,956)**
Cash flows from financing activities					
Increase in deposits from public		211,762	(8,106)	211,762	(7,801)
Decrease in funds collected on behalf of third parties		(22,531)	(9,936)	(22,531)	(9,936)
Proceeds from term loans		2,692,734	1,008,246	2,692,734	1,008,246
Proceeds from equity injection		650,000	-	650,000	-
Net cash from financing activities		**3,531,965**	**990,204**	**3,531,965**	**990,509**
Total cash increase (decrease) for the year		**1,399,888**	**(679,580)**	**1,391,776**	**(667,086)**
Cash at the beginning of the year		2,655,622	3,335,202	2,642,066	3,309,152
Total cash at the end of the year	16	**4,055,510**	**2,655,622**	**4,033,842**	**2,642,066**

Notes to the Consolidated Financial Statements - Accounting Policies

1. Summary of significant accounting policies

South African Post Office (SOC) Limited is a company incorporated in South Africa. Its parent and ultimate holding entity is the South African government represented by the department of telecommunication and postal services. The address of its registered office and place of business are disclosed in the director's report. The principal activities of the company and its subsidiaries are also described in the directors' report.

The group and company consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and the requirements of the Public Finance Management Act and the South African Companies Act No 71 of 2008.

The accounting policies applied in preparation of these group and company financial statements are consistent in all material respects with those applied for the year ended 31 March 2016, unless explicitly stated otherwise as changes in accounting policy. No standards were adopted before the effective date during the financial reporting period ended 31 March 2017.

The financial statements are presented in South African Rands (ZAR), the functional currency of the Group and Company. All amounts are rounded to the nearest thousand, except when otherwise indicated. They are prepared on the historical cost basis, except for heritage assets and certain financial instruments at fair value.

The annual financial statements were prepared under the supervision of the group chief financial officer, Nichola Dewar, CA(SA).

1.1 Financial statements preparation

Basis of preparation

The consolidated annual financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measure at fair values at the end of the 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 as asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and /or disclosure purposes in these consolidated annual financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 input are quoted process (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted process included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability. Current/ non-current distinction

All assets and all liabilities are classified and presented as either current or non-current unless they are presented in order of their liquidity. The term 'current' is defined for:

(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;

Notes to the Consolidated Financial Statements - Accounting Policies

(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 of the entity, for example trade payables and accruals for employee benefits expense.

The principal accounting policies are set out below.

Basis of consolidation

Subsidiaries

The consolidated annual financial statements incorporate the annual financial statements of the company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee and
- Has the ability to use its power to affect its return

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other voting holders;
- Potential voting rights held by the company, other vote holder or other parties;
- Rights arising from other contractual arrangements, and
- Any additional facts and circumstances that indicate that the company has, or does have, the current ability to direct the relevant activities at the time that decisions need to be made.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or 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.

Notes to the Consolidated Financial Statements - Accounting Policies

1.2 Significant judgements and sources of estimation and uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated financial statements. Significant judgments include:

Trade receivables, Held to maturity investments and Loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

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

Allowance for slow moving, damaged and obsolete stock

The allowance for stock write-off at the lower of cost or net realisable value requires the use of estimates to determine the selling price and direct cost to sell.

Fair value estimation

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

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

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

Other items that are subject to fair value as a significant judgement and source of estimation and uncertainty include property, plant and equipment, and investment property. Further detail on the valuation of these items is provided in notes 3 and 6 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.

Notes to the Consolidated Financial Statements - Accounting Policies

Provisions

Provisions were raised and management determined an estimate based on available information.

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

Judgment 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

Judgment 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.

Notes to the Consolidated Financial Statements - Accounting Policies

Site restoration and dismantling cost

Decommissioning costs that are expected to be incurred upon the termination or conclusion of lease agreements have been capitalised in terms of the relevant lease agreements. It is uncertain whether these leases will be extended or terminated earlier and this creates uncertainties regarding the amount and timing of the cash flows. There are no expected reimbursements for the costs that will be incurred.

The main assumptions used in the calculation of this capitalisation are as follows:

The Universal Service Obligations (USO) embodied in legislation governing the South African Post Office (SOC) Limited obliges the company to expand its presence in South Africa (SA), especially in rural SA. This means that the South African Post Office (SOC) Limited would most probably not reduce the number of leasehold premises, but instead expand its presence to more buildings. The type of leasehold premises has been taken into account when arriving at a conclusion regarding possible restoration requirements. A vacant stand with a Mail Collection Point (MCP) would probably not require restoration should they ever wish to relocate. The South African Post Office (SOC) Limited may not wish to relocate from shopping centres and malls. In the event that it does relocate the terms of the lease and the nature of its business are such that restoration of the premises might not be required. The date that the South African Post Office (SOC) Limited originally occupied leasehold premises is also an indication of the chances of ever moving out of the premises, thus negating the liability to restore such leasehold premises. During the year, the South African Post Office (SOC) Limited relocated from 31 (2016: 70) leasehold premises of which 11 (2016: 27) of the lessors required restoration.

Estimation of useful lives and residual Values

Property, plant and equipment are depreciated over their useful lives taking into account the residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessment consider issues such as future market conditions, the remaining lives of the assets and the projected disposal values.

Intangible assets are amortised on a straight line basis over their estimated useful lives. The amortisation methods and remaining useful lives are reviewed at least annually. The estimation of the useful lives of intangible assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement.

1.3 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.

The initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the group is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Expenditure incurred subsequently for major services, additions to, or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Major spare parts and stand by equipment which are expected to be used for more than one year are included in property, plant and equipment.

Notes to the Consolidated Financial Statements - Accounting Policies

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings in the current year.

Land and buildings in the current year 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 have been assessed as follows:

Item	Depreciation method	Average useful life
Assets under construction	Straight line	Not depreciated until asset is complete and in use
Buildings	Straight line	30 - 100 years
Data processing equipment	Straight line	3 - 8 years
Furniture and fixtures	Straight line	3 - 12 years
Land	Straight line	Indefinite
Leasehold improvements	Straight line	Term of the lease
Motor vehicles	Straight line	3 - 20 years
Machinery and equipment	Straight line	3 - 20 years
Site restoration	Straight line	Expected term of the lease

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

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

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Notes to the Consolidated Financial Statements - Accounting Policies

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.

1.4 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

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

1.5 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 pproperty to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Cost model

In the prior year, investment property was carried at cost less depreciation and any accumulated impairment losses. Depreciation is provided to write down the cost, less estimated residual value on straight line basis over the useful life of the property, which is as follows:

Notes to the Consolidated Financial Statements - Accounting Policies

Item	Useful life
Property - land	Indefinite
Property - buildings	30 - 100 years

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

The depreciation charge for each period is recognised in profit or loss.

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

Transfers

Transfers to, or from, investment property are made when, and only when, there is a change in use. The Company uses the cost model, therefore the carrying amount of the property transferred to or from remain unchanged both for measurement and disclosure purposes.

1.6 Heritage assets

In terms of the ICASA license agreement, the South African Post Office (SOC) Limited is required to own a museum which contains assets of a historical nature, including stamps, paintings, artefacts and machinery.

Due to the absence of a Standard or an Interpretation that specifically applies to Heritage Assets, the group conforms to the standards as set out in GRAP 103 - Heritage Assets issued by the Accounting Standards Board.

A heritage asset is recognised when, and only when:

- It is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Heritage assets which qualify for recognition as an asset are initially measured at cost.

Where heritage assets were acquired for no cost or nominal cost, its cost is measured at fair value on the date of acquisition. A non-exchange transaction is a transaction where an entity receives or gives value to another entity without directly giving or receiving an approximate equal value in exchange. Examples include gifts, fines and grants.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

An inflow of resources from a non-exchange transaction recognised as an asset will be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow (which is the case when a stipulation is a condition).

Costs of day-to-day servicing i.e. repairs and maintenance are expensed, only costs incurred to enhance or restore an asset to preserve its indefinite useful life can be capitalised if they meet the recognition criteria.

Heritage assets are subsequently measured at the revalued amount less accumulated impairment losses. Heritage assets have indefinite useful lives and are not depreciated.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current 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.

Notes to the Consolidated Financial Statements - Accounting Policies

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 is 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.

1.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Company does not have intangible assets with indefinite useful lives.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- 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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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.

Notes to the Consolidated Financial Statements - Accounting Policies

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Average useful life
Intangible assets under development	Not amortised until asset is complete and in use
Licenses	1 - 3 years
Software	2 - 8 years
Software - personal computers	1 - 3 years

1.8 Impairment of non-financial assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets 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.

1.9 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 company; plus
- any costs directly attributable to the purchase of the subsidiary.

1.10 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

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

Notes to the Consolidated Financial Statements - Accounting Policies

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

Initial recognition and measurement

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

Financial instruments are measured initially at fair value.

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

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

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

Subsequent measurement

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

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

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

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

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

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

Financial assets may be designated as available-for-sale in accordance with the group Asset and Liability Management (ALM) investment strategy.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. Financial liabilities at fair value through profit or loss are subsequently measured at fair value excluding transaction cost on disposal. Change in fair value is directly recognised in profit and loss.

Notes to the Consolidated Financial Statements - Accounting Policies

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of the transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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

Fair value determination

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

Impairment of financial assets

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

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

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

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

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale. Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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

Notes to the Consolidated Financial Statements - Accounting Policies

Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments designated as at fair value through profit or loss

Financial assets may be designated at initial recognition as at fair value through profit or loss if any of the following criteria are met:

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

Loans to (from) group companies

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

Loans to group companies are categorised as loans and receivables.

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

Loans from the shareholder

These financial liabilities are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Other payables are initially measured at fair value and are subsequently measured at fair value through profit or loss with any resulting gains and losses recognised in profit and loss.

Cash and cash equivalents

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements - Accounting Policies

Held-to-maturity

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

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

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

Offsetting

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

1.11 Leases

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

Operating leases - lessor

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

Operating leases – lessee

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

1.12 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.

Notes to the Consolidated Financial Statements - Accounting Policies

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 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).

Actuarial gains or determined through annual actuarial valuations by independent consulting actuaries using the projected unit credit method and remeasurements recognised as stated above.

1.13 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent that it is 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 or investor 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 and branches, to the extent that it is probable that:

Notes to the Consolidated Financial Statements - Accounting Policies

- 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.

1.14 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.16 Convertible loans

Financial instruments, or its component parts, are classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

The definitions in paragraph 11 of IAS 32 are used to determine whether a financial instrument is an equity instrument rather than a financial liability. The instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met.

(a) The instrument includes no contractual obligation:

i. to deliver cash or another financial asset to another entity; or

ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

Notes to the Consolidated Financial Statements - Accounting Policies

(b) If the instrument will or may be settled in the issuer's own equity instruments, it is:

i. a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

ii. a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

1.17 Provisions and contingencies

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.

1.18 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

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

Notes to the Consolidated Financial Statements - Accounting Policies

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are deducted from the related expense.

1.19 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue earned from the provision of services over a fixed period, such as post box rental is recognised on a straight line basis over the period of the service.

Where the company's role in a transaction is that of a principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transactions billed to customers after trade discounts. Where the company's role in a transaction is that of an agent, revenue is recognised on a net basis, with revenue representing the margin earned.

Revenue comprises income from services provided and the sale of retail products, excluding value added tax, rebates and discounts. These services include work performed as an agent of certain Government Departments, other authorities and businesses.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Payments received for activities or services occurring in future fiscal years are recorded as deferred revenue and are recognised as revenue when the goods or services have been provided.

Revenue from postal services occurring in the last week prior to yearend is deferred based on the progress of delivery. Revenue from box rental services is deferred based on the term of the rental agreement with customers.

Interest is recognised, in profit or loss, using the effective interest method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Notes to the Consolidated Financial Statements - Accounting Policies

1.20 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.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated 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.

1.21 Related parties

As per IAS 24, the annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The South African Post Office (SOC) Limited 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.

Related parties includes, but are not limited to other Government Owned Entities as above, management who holds positions of responsibility within the group including those charged with governance in accordance with legislation, members of management that are responsible for the strategic direction and operational management of the group and are entrusted with significant authority. Their remuneration may be established by statute or by another body independent of the company. However, their responsibilities may enable them to influence the benefits of office that flow to them, or their related parties or parties that they represent on the governing body.

1.22 Capital Commitments

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 an accrual or liability or as expenditure in the statement of comprehensive income.

Capital commitments are disclosed as Commitments in the notes to the consolidated annual financial statements. Management expects these capital commitments to be financed from internally generated cash and other borrowings.

1.23 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 in profit and loss in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, is subsequently accounted for as income in profit and loss in the relating period.

Notes to the Consolidated Financial Statements - Accounting Policies

1.24 Irregular expenditure

Irregular expenditure (IE) means expenditure, other than unauthorised expenditure (UE), incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999);
- the State tender Board Act, 1968 (Act No. 86 of 1968, or any regulation made in terms of that Act.

The company is considered to have incurred irregular expenditure when a transaction, condition or an event linked to the transgression that has financial implications is recognised as expenditure in the Statement of Financial Performance in accordance with IFRS.

When confirmed, irregular expenditure is recorded in the notes to the consolidated annual financial statements. The amount to be recorded in the notes must be equal to the value of the irregular expenditure incurred unless it is impracticable to determine the value thereof. Where such impracticality exists, the reasons therefore is provided in the notes. Irregular expenditure is deducted from the notes when it is either (a) condoned by the National Treasury or the relevant authority; (b) it is transferred to receivables for recovery; or (c) it is not condoned and is irrecoverable.

A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and is de-recognised when the receivable is settled or subsequently written off as irrecoverable.

1.25 Adjusting events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the statement of financial position date and the date when the annual financial statements are authorised for issue.

Two types of events can be identified:

a. those that provide evidence of conditions that existed at the statement of financial position date (adjusting events after the reporting period); and

b. those that are indicative of conditions that arose after the statement of financial position date (non-adjusting events after the reporting period)

Events after the reporting period include all events up to the date when the annual financial statements are authorised for issue, even if those events occur after the public announcement of profit or of other selected financial information.

The company adjusts the amounts recognised in its consolidated annual financial statements to reflect adjusting events after the reporting period in terms of IAS 8.

The company discloses the date when the consolidated annual financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the annual financial statements after issue, the entity shall disclose that fact.

If the company receives information after the reporting period about conditions that existed at the end of the reporting period, it updates disclosures that relate to those conditions, in the light of the new information.

If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions of that users make on the basis of the consolidated annual financial statements. Accordingly, the company discloses the following for each material category of non-adjusting event after the reporting period:

a. the nature of the event; and

b. an estimate of its financial effect, or a statement that such an estimate cannot be made.

Notes to the Consolidated Financial Statements

2 New Standards and Interpretations

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project

The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows excludes cash collected which must be remitted to a transferee. It also provides that when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset.

The effective date of the group is for years beginning on or after 01 January 2016.

The group has adopted the amendment for the first time in the 2017 separate and consolidated annual financial statements. The impact of the amendment is not material.

Amendment to IAS 19: Employee Benefits: Annual Improvements project

The amendment clarifies that when a discount rate is determined for currencies where there is no deep market in high quality corporate bonds, then market yields on government bonds in that currency should be used.

The effective date of the group is for years beginning on or after 01 January 2016.

The group has adopted the amendment for the first time in the 2017 separate and consolidated annual financial statements. The impact of the amendment is not material.

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its separate and consolidated annual financial statements. It also provides amended guidance concerning the order of presentation of the notes in the separate and consolidated annual financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

The effective date of the group is for years beginning on or after 01 January 2016.

The group has adopted the amendment for the first time in the 2017 separate and consolidated annual financial statements. The impact of the amendment is not material.

Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption

The amendment clarifies the consolidation exemption for investment entities. It further specifies that an investment entity which measures all of its subsidiaries at fair value is required to comply with the "investment entity" disclosures provided in IFRS 12. The amendment also specifies that if an entity is itself not an investment entity and it has an investment in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement applied by such associate or joint venture to any of their subsidiaries.

The effective date of the group is for years beginning on or after 01 January 2016.

The group has adopted the amendment for the first time in the 2017 separate and consolidated annual financial statements. The impact of the amendment is not material.

IFRS 14 Regulatory Deferral Accounts

The new standard is an interim standard applicable to entities subject to rate regulation. The standard is only applicable to entities adopting IFRS for the first time. It permits entities to recognise regulatory deferral account balances in the statement of financial position. When the account has a debit balance, it is recognised after total assets. Similarly, when it has a credit balance, it is recognised after total liabilities. Movements in these accounts, either in profit or loss or other comprehensive income are allowed only as single line items.

The effective date of the standard is for years beginning on or after 01 January 2016.

The group has adopted the standard for the first time in the 2017 separate and consolidated annual financial statements. The impact of the standard is not material.

Notes to the Consolidated Financial Statements

Amendment to IAS 27: Equity Method in Separate Financial Statements

The amendment adds the equity method to the methods of accounting for investments in subsidiaries, associates and joint ventures in the separate and consolidated annual financial statements of an entity.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The group has adopted the amendment for the first time in the 2017 separate and consolidated annual financial statements. The impact of the amendment is not material.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The group has adopted the amendment for the first time in the 2017 separate and consolidated annual financial statements. The impact of the amendment is not material.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.

Notes to the Consolidated Financial Statements

- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's annual financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of- use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The group expects to adopt the standard for the first time in the 2020 separate and consolidated annual financial statements. It is unlikely that the standard will have a material impact on the group's separate and consolidated annual financial statements.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The group expects to adopt the amendment for the first time in the 2019 separate and consolidated annual financial statements.

The impact of this amendment is currently being assessed.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets

and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Notes to the Consolidated Financial Statements

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The group expects to adopt the standard for the first time in the 2019 separate and consolidated annual financial statements. The impact of this standard is currently being assessed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15

Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter

Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2018.

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The group expects to adopt the standard for the first time in the 2019 separate and consolidated annual financial statements. The impact of this standard is currently being assessed.

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The group expects to adopt the amendment for the first time in the 2018 separate and consolidated annual financial statements.

The impact of this amendment is currently being assessed.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the group:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the group will have sufficient taxable profit in future periods. The group is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The group expects to adopt the amendment for the first time in the 2018 separate and consolidated annual financial statements.

The impact of this amendment is currently being assessed.

Notes to the Consolidated Financial Statements

3. Property, plant and equipment

Group	2017			2016		
	Cost or valuation	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Assets under construction	1,167	-	1,167	3,594	-	3,594
Buildings	1,633,210	(11,923)	1,621,287	739,578	(245,093)	494,485
Data processing equipment	418,345	(368,995)	49,350	416,740	(344,328)	72,412
Furniture and fixtures	61,821	(40,280)	21,541	62,449	(38,724)	23,725
Land	680,618	-	680,618	191,377	-	191,377
Leasehold improvements	348,598	(311,893)	36,705	354,407	(306,369)	48,038
Machinery and equipment	384,565	(312,673)	71,892	409,310	(319,416)	89,894
Motor vehicles	54,712	(27,599)	27,113	55,200	(26,190)	29,010
Site restoration	101,475	(91,255)	10,220	104,006	(88,732)	15,274
Total property, plant and equipment	**3,684,511**	**(1,164,618)**	**2,519,893**	**2,336,661**	**(1,368,852)**	**967,809**

Company	2017			2016		
	Cost or valuation	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Assets under construction	1,167	-	1,167	3,594	-	3,594
Buildings	1,612,196	(11,923)	1,600,273	736,128	(243,661)	492,467
Data processing equipment	405,149	(357,703)	47,446	403,271	(333,590)	69,681
Furniture and fixtures	58,920	(37,465)	21,455	59,507	(35,920)	23,587
Land	625,530	-	625,530	188,888	-	188,888
Leasehold improvements	348,006	(311,314)	36,692	353,815	(305,822)	47,993
Machinery and equipment	356,869	(285,908)	70,961	381,413	(293,144)	88,269
Motor vehicles	33,323	(8,515)	24,808	33,323	(6,666)	26,657
Site restoration	98,986	(91,255)	7,731	101,402	(88,732)	12,670
Total property, plant and equipment	**3,540,146**	**(1,104,083)**	**2,436,063**	**2,261,341**	**(1,307,535)**	**953,806**

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Revaluation	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	
Land	191,377	-	(509)	435	-	489,315	-	680,618
Buildings	494,485	4,919	(936)	2,483	-	1,143,925	(23,589)	1,621,287
Site restoration	15,274	703	(115)	-	(3,118)	-	(2,524)	10,220
Machinery and equipment	89,894	91	(2,884)	-	-	-	(15,209)	71,892
Furniture and Fittings	23,725	-	(109)	-	-	-	(2,075)	21,541
Motor vehicles	29,010	-	(45)	-	-	-	(1,852)	27,113
Data processing equipment	72,412	11,418	(183)	-	-	-	(34,297)	49,350
Leasehold improvements	48,038	-	(77)	55	-	-	(11,311)	36,705
Assets under construction	3,594	111	-	(2,538)	-	-	-	1,167
Total property, plant and equipment	**967,809**	**17,242**	**(4,858)**	**435**	**(3,118)**	**1,633,240**	**(90,857)**	**2,519,893**

Notes to the Consolidated Financial Statements

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	208,498	-	(18,852)	1,731	-	-	191,377
Buildings	516,349	554	(587)	(754)	-	(21,077)	494,485
Site restoration	40,132	529	(132)	-	(22,161)	(3,094)	15,274
Machinery and equipment	108,901	765	(595)	-	-	(19,177)	89,894
Furniture and Fittings	26,023	-	(164)	-	-	(2,134)	23,725
Motor vehicles	31,522	-	(66)	-	-	(2,446)	29,010
Data processing equipment	105,153	2,627	(385)	-	-	(34,983)	72,412
Leasehold improvements	53,435	262	(136)	7,266	-	(12,789)	48,038
Assets under construction	4,838	-	-	(1,244)	-	-	3,594
Total property, plant and equipment	**1,094,851**	**4,737**	**(20,917)**	**6,999**	**(22,161)**	**(95,700)**	**967,809**

Reconciliation of property, plant and equipment - Company 2017

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Revaluation	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	
Land	188,888	-	(509)	436	-	436,715	-	625,530
Buildings	492,467	4,919	(936)	2,483	-	1,121,424	(20,084)	1,600,273
Site restoration	12,670	703	-	-	(3,118)	-	(2,524)	7,731
Machinery and equipment	88,269	91	(2,871)	-	-	-	(14,528)	70,961
Furniture and Fittings	23,587	-	(108)	-	-	-	(2,024)	21,455
Motor vehicles	26,657	-	-	-	-	-	(1,849)	24,808
Data processing equipment	69,681	11,418	(177)	-	-	-	(33,476)	47,446
Leasehold improvements	47,993	-	(77)	55	-	-	(11,278)	36,692
Assets under construction	3,594	111	-	(2,538)	-	-	-	1,167
Total property, plant and equipment	**953,806**	**17,242**	**(4,678)**	**436**	**(3,118)**	**1,558,139**	**(85,763)**	**2,436,063**

Reconciliation of property, plant and equipment - Company - 2016

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	206,009	-	(18,852)	1,731	-	-	188,888
Buildings	513,084	554	(587)	324	-	(20,908)	492,467
Site restoration	37,396	529	-	-	(22,161)	(3,094)	12,670
Machinery and equipment	106,476	765	(500)	-	-	(18,472)	88,269
Furniture and Fittings	25,775	-	(158)	-	-	(2,030)	23,587
Motor vehicles	28,515	-	(2)	-	-	(1,856)	26,657
Data processing equipment	101,435	2,628	(378)	-	-	(34,004)	69,681
Leasehold improvements	53,351	260	(136)	7,266	-	(12,748)	47,993
Assets under construction	4,837	-	-	(1,243)	-	-	3,594
Total property, plant and equipment	**1,076,878**	**4,736**	**(20,613)**	**8,078**	**(22,161)**	**(93,112)**	**953,806**

Property, plant and equipment encumbered as security

No property, plant and equipment has been pledged as security for liabilities.

Notes to the Consolidated Financial Statements

Changes in estimates

The group reassesses the useful lives and residual values of items of property, plant and equipment at the end of the reporting period, in line with the accounting policy and IAS 16 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information. Refer to note 51 for more details.

Borrowing costs capitalised

There were no borrowing costs that required capitalisation during the period.

Fair value

Land and buildings are carried at revaluation model, the fair values were obtained from an independent valuer. In the prior year, the land and buildings were carried at cost model and as such the municipal fair values were used to assess the relevance of the cost model. Refer to note 54 for change in accounting policy.

Further disclosure on fair value information as it relates to land and buildings is provided in note 53.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	R '000	**R '000**	**R '000**	**R '000**
Fair values of land and buildings	2,301,905	1,347,168	2,225,803	1,347,168

Property, plant and equipment obtained by means of government grants

The following assets that are financed through project specific funding are recorded in the asset register and included therein at R1 in accordance with the accounting policy for government grants. If these had been recorded at cost and depreciated over their useful lives, their carrying value would be as follows:

Group and company reconciliation - 2017	**Cost**	**Accumulated depreciation**	**Carrying value**
	R '000	**R '000**	**R '000**
Buildings	90,502	(26,702)	63,800
Data processing equipment	180	(180)	-
Furniture and fixtures	206	(206)	-
Leasehold improvements	275,963	(275,075)	888
Machinery and equipment	103,344	(72,280)	31,064
Motor vehicles	490	(490)	-
Total property, plant and equipment by means of Government grants	**470,685**	**(374,933)**	**95,752**

Group and company reconciliation - 2016	**Cost**	**Accumulated depreciation**	**Carrying value**
	R '000	**R '000**	**R '000**
Buildings	86,538	(24,305)	62,233
Data processing equipment	362,009	(362,009)	-
Furniture and fittings	206	(206)	-
Land	4,028	-	4,028
Leasehold improvements	287,731	(286,109)	1,622
Machinery and equipment	104,011	(72,947)	31,064
Motor vehicles	490	(490)	-
Total property, plant and equipment by means of Government grants	**845,013**	**(746,066)**	**98,947**

Notes to the Consolidated Financial Statements

4. Investment property

Group	2017			2016		
	Valuation	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Investment property	173,581	-	173,581	62,177	(19,091)	43,086

Company	2017			2016		
	Valuation	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Investment property	161,534	-	161,534	57,700	(17,842)	39,858

Reconciliation of investment property - Group 2017

	Opening balance	Disposals	Transfers	Depreciation	Fair value adjustments	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Investment property	43,086	(21)	(435)	(716)	131,667	173,581

Reconciliation of investment property - Group 2016

	Opening balance	Disposals	Transfers	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000
Investment property	55,922	(193)	(9,321)	(3,263)	43,086

Reconciliation of investment property - Company 2017

	Opening balance	Disposals	Transfers	Depreciation	Fair value adjustments	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Investment property	39,858	(21)	(435)	(688)	122,820	161,534

Reconciliation of investment property - Company 2016

	Opening balance	Disposals	Transfers	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000
Investment property	52,599	(193)	(9,321)	(3,227)	39,858

Investment property is measured using the fair value model, in the prior year the properties were measured on the cost model. For prior year, municipal values were obtained to assess the relevance of the cost model.

	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
Fair value of investment properties	173,581	43,806	161,534	39,858

In the current year the fair values of investment properties were obtained from an independent valuer, where else in 2016 the fair values were arrived at on the basis of a valuation values obtained from the relevant municipalities.

Further disclosure on fair value information as it relates to investment property is provided in note 53 below.

Notes to the Consolidated Financial Statements

Investment property obtained by means of government grants

The following assets that are financed through project specific funding are recorded in the asset register and included therein at R1 in accordance with the accounting policy for government grants. If these had been recorded at cost and depreciated over their useful lives, their carrying value would be as follows:

Group and company reconciliation - 2017	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000
Investment property	217	(57)	160

Group and company reconciliation - 2016	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000
Investment property	217	(52)	165

5. Heritage assets

Group	2017			2016		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Documents	259	-	259	259	-	259
Other assets	1,433	-	1,433	1,433	-	1,433
Philatelic stationary	510	-	510	510	-	510
Stamps	36,348	-	36,348	36,348	-	36,348
Works of art	7,697	-	7,697	7,697	-	7,697
Total heritage assets	**46,247**	**-**	**46,247**	**46,247**	**-**	**46,247**

Company	2017			2016		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Documents	259	-	259	259	-	259
Other assets	1,433	-	1,433	1,433	-	1,433
Philatelic stationary	510	-	510	510	-	510
Stamps	36,348	-	36,348	36,348	-	36,348
Works of art	7,697	-	7,697	7,697	-	7,697
Total heritage assets	**46,247**	**-**	**46,247**	**46,247**	**-**	**46,247**

Notes to the Consolidated Financial Statements

Reconciliation of heritage assets - Group - 2017

	Opening balance	Total
	R '000	**R '000**
Documents	259	259
Other assets	1,433	1,433
Philatelic stationary	510	510
Stamps	36,348	36,348
Works of art	7,697	7,697
	46,247	**46,247**

Reconciliation of heritage assets - Group - 2016

	Opening balance	Gains or losses arising from changes in fair value	Total
	R '000	**R '000**	**R '000**
Documents	10	249	259
Other assets	126	1,307	1,433
Philatelic stationary	206	304	510
Photographs	25	(25)	-
Stamps	18,319	18,029	36,348
Works of art	3,279	4,418	7,697
Total heritage assets	**21,965**	**24,282**	**46,247**

Valuations

Fair value revaluations 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 revaluation was performed by independent valuers that are not connected to the group.

The valuation was based on current market values and no discount rates were used.

Other information

In terms of the ICASA license agreement, the South African Post Office (SOC) Limited is required to own a museum which contains assets of a historical nature, including stamps, paintings, artefacts and machinery

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Notes to the Consolidated Financial Statements

6. Intangible assets

Group	2017 Cost	2017 Accumulated amortisation	2017 Carrying value	2016 Cost	2016 Accumulated amortisation	2016 Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	370,141	(290,246)	79,895	348,666	(270,028)	78,638
Intangible assets under development	57,721	-	57,721	54,806	-	54,806
Total intangible assets	**427,862**	**(290,246)**	**137,616**	**403,472**	**(270,028)**	**133,444**

Company	2017 Cost	2017 Accumulated amortisation	2017 Carrying value	2016 Cost	2016 Accumulated amortisation	2016 Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	366,767	(286,877)	79,890	345,292	(266,702)	78,590
Intangible assets under development	57,721	-	57,721	54,806	-	54,806
Total intangible assets	**424,488**	**(286,877)**	**137,611**	**400,098**	**(266,702)**	**133,396**

Reconciliation of intangible assets - Group - 2017

	Opening balance	Additions	Retirements	Amortisation	Closing balance
	R '000	R '000	R '000	R '000	R '000
Computer software	78,638	34,217	(428)	(32,532)	79,895
Intangible assets under development	54,806	2,915	-	-	57,721
Total intangible assets	**133,444**	**37,132**	**(428)**	**(32,532)**	**137,616**

Reconciliation of intangible assets - Group - 2016

	Opening balance	Additions	Retirements	Transfers	Amortisation	Closing balance
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	67,867	41,583	(1,330)	3,382	(32,864)	78,638
Intangible assets under development	56,944	-	-	(2,138)	-	54,806
Total intangible assets	**124,811**	**41,583**	**(1,330)**	**1,244**	**(32,864)**	**133,444**

Reconciliation of intangible assets - Company - 2017

	Opening balance	Additions	Retirements	Amortisation	Closing balance
	R '000	R '000	R '000	R '000	R '000
Computer software	78,590	34,217	(385)	(32,532)	79,890
Intangible assets under development	54,806	2,915	-	-	57,721
Total intangible assets	**133,396**	**37,132**	**(385)**	**(32,532)**	**137,611**

Reconciliation of intangible assets - Company - 2016

	Opening balance	Additions	Retirements	Transfers	Amortisation	Closing balance
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	67,776	41,583	(1,330)	3,382	(32,821)	78,590
Intangible assets under development	56,944	-	-	(2,138)	-	54,806
Total intangible assets	**124,720**	**41,583**	**(1,330)**	**1,244**	**(32,821)**	**133,396**

Notes to the Consolidated Financial Statements

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.

Borrowing costs capitalised

There were no borrowing costs that required capitalisation during the period.

Other information

There were no impairments of intangible assets during the year.

Intangible assets obtained by means of government grants

Intangible assets that are financed through project specific funding are recorded in the asset register and included therein at R1 in accordance with the accounting policy for Government grants. If these assets had been recorded at cost and depreciated over their expected useful lives, their carrying value would be as follows:

Group and company reconciliation - 2017	Cost	Accumulated amortisation	Carrying value
	R '000	R '000	R '000
Computer software	249,220	(249,220)	-

Group and company reconciliation - 2016	Cost	Accumulated amortisation	Carrying value
	R '000	R '000	R '000
Computer software	249,220	(249,155)	65

Notes to the Consolidated Financial Statements

7. Investments in subsidiaries

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

Group

Name of company	Held by 2017	% holding 2017	% holding 2016
The Courier and Freight Botswana (Pty) Ltd	The Courier and Freight Group (Pty)Ltd	100.00 %	100.00 %
The Courier and Freight Namibia (Pty) Ltd	The Courier and Freight Group (Pty)Ltd	100.00 %	100.00 %
Postbank SOC Limited (registered in April 2017)	South African Post Office (SOC) Ltd	100.00 %	100.00 %

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	Place of incorporation	Principal activities	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Sapos Properties (Bloemfontein) (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	1,314	750
Sapos Properties (Erf 145018 Cape Town) (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	5,976	4,085
Sapos Properties (East Rand) (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	14,358	11,195
Sapos Properties (PE) (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	1,885	1,670
Sapos Properties (Rossburgh) (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	8,564	3,800
The Courier and Freight Group (Pty) Ltd	South Africa	Provides courier, freight and related logistical services to business within and beyond the South African boundaries	100.00 %	100.00 %	1,053	1,053
The Document Exchange (Pty) Ltd	South Africa	Provides document exchange services	100.00 %	100.00 %	-	-
Truebill (Pty) Ltd *	South Africa	*	100.00 %	100.00 %	-	-
Sapos Property (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	-	-
					33,150	**22,553**
Impairment of investment in subsidiaries		-	-	-	(1,217)	(17,274)
Total investment in subsidiaries net of impairment					**31,933**	**5,279**

*Truebill (Pty) Ltd remains dormant.

The investments in subsidiary companies listed above are unlisted.

The investment in property companies increased in the current year due to loan capitalisation.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

8. Inter group loans and receivables

Loans

Sapos Properties (Bloemfontein) (Pty) Ltd	-	-	-	474
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (Cape Town) (Pty) Ltd	-	-	-	1,670
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (East Rand) (Pty) Ltd	-	-	-	3,091
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (Port Elizabeth) (Pty) Ltd	-	-	-	202
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (Rossburgh) (Pty) Ltd	-	-	-	4,065
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
The Courier and Freight Group (Pty) Ltd	-	-	219,322	219,322
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
The Courier and Freight Group (Pty) Ltd	-	-	77,802	40,918
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Total loans	**-**	**-**	**297,124**	**269,742**
Impairment of loans	-	-	(297,124)	(269,742)
Total loans net of impairment	**-**	**-**	**-**	**-**

All the above loans are interest free, have no fixed terms of repayment, and have been impaired in full.

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

Receivables

The Courier and Freight Group (Pty) Ltd	-	-	392,257	371,668
The Document Exchange (Pty) Ltd	-	-	-	537
Total long term receivables	**-**	**-**	**392,257**	**372,205**
Impairment of long term receivables	-	-	(392,257)	(371,667)
Total long term receivables net of impairment	**-**	**-**	**-**	**538**

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

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

Credit quality of inter group loans and long term receivables

The credit quality of inter group loans and long term receivables that are neither past due nor impaired can be assessed by reference to the subsidiary companies' ability to generate profits. All inter group loans and long term receivables have been impaired in full.

	Group	Company

Notes to the Consolidated Financial Statements

	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

Fair value of inter group loans and long term receivables

Inter group loans and long term receivables	-	-	-	538

The fair value of the inter group loans and long term receivables was calculated as the cost less accumulated impairments.

Inter group loans and long term receivables past due but not impaired

Inter group loans and long term receivables which are less than 3 months past due are not considered to be impaired, unless the company is in an accumulated loss situation and is continuing to make losses, in which case the full amount is impaired. At 31 March 2017, R0 million (2016: R 0.538 million) were past due but not impaired.

Intergroup loans and long term receivables impaired

As of 31 March 2017, inter group loans and receivables of R 689 million (2016: R 641 million) were impaired and provided for. The ageing of these loans is as follows:

Over 6 months	-	-	689,153	641,182

Reconciliation of provision for impairment of inter group loans and long term receivables

Opening balance	-	-	641,182	554,893
Provision for impairment	-	-	47,971	86,289
Total provision for impairment	**-**	**-**	**689,153**	**641,182**

The creation and release of the provision for impaired inter group loans and long term receivables have been included in operating expenses in the statement of profit or loss and other comprehensive income (note 31). Amounts charged to the provision account are generally written off when there is no expectation of recovering them.

The maximum exposure to credit risk at the reporting date is the fair value of each class of inter group loans and long term receivables mentioned above. The group does not hold any collateral as security.

Inter group loans and long term receivables pledged as collateral

No inter group loans and long term receivables have been pledged as security for liabilities.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

9. Other financial assets

	Group 2017 R '000	Group 2016 R '000	Company 2017 R '000	Company 2016 R '000
At fair value through profit or loss				
Investments at fair value: PRMA	997,565	936,772	997,565	936,772
Available-for-sale				
Negotiable Certificates of Deposit	1,904,136	1,646,935	1,904,136	1,646,935
Promissory Notes	663,299	562,956	663,299	562,956
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	103,388	93,947	103,388	93,947
Total available-for-sale	**2,670,823**	**2,303,838**	**2,670,823**	**2,303,838**
Held to maturity				
Fixed Deposits	2,242,726	2,098,982	2,242,726	2,098,982
Jibar Linked Notes	-	141,981	-	141,981
Total held-to-maturity	**2,242,726**	**2,240,963**	**2,242,726**	**2,240,963**
Total other financial assets	**5,911,114**	**5,481,573**	**5,911,114**	**5,481,573**
Non-current assets				
At fair value through profit or loss	688,880	523,936	688,880	523,936
Available-for-sale	103,388	93,947	103,388	93,947
Total non-current assets	**792,268**	**617,883**	**792,268**	**617,883**
Current assets				
At fair value through profit or loss	308,685	412,836	308,685	412,836
Available-for-sale	2,567,435	2,209,891	2,567,435	2,209,891
Held-to-maturity	2,242,726	2,240,963	2,242,726	2,240,963
Total current assets	**5,118,846**	**4,863,690**	**5,118,846**	**4,863,690**
Investment balances held by the entity that are not available for use by the group	4,810,160	4,450,854	4,810,160	4,450,854

The group owns an equity stake of 100 ordinary shares in Gidani Management (Pty) Ltd, which represents 10.00% of Gidani shares. The fair value of the shares was determined by the South African Post Office (SOC) Limited management to be zero at period end (2016: R 0). The shares were allocated to the South African Post Office (SOC) Limited by the Department of Trade and Industry. The entity is in a process of being wound up.

During the year, the group was allocated 10 Ordinary shares in Ithuba Holdings (Pty) Ltd which represents 5.00% holding. The fair value of the shares was determined by the South African Post Office (SOC) Limited management to be zero at year end. The shares were allocated to the South African Post Office (SOC) Limited by the Department of Trade and Industry.

The Negotiable Certificates of Deposit (NCDs), Promissory Notes and the unlisted shares held in the cell captive Centriq Insurance Innovation (Pty) Ltd are classified as available-for-sale financial assets, which are measured at fair value, with fair value gains and losses recognised directly in other comprehensive income

The Fixed Deposits and Jibar Linked Notes are classified as held to maturity instruments, which are measured at amortised cost using the effective interest method, less any impairment, with revenue recognised on an effective yield basis. The Fixed Deposits and Jibar Linked Notes shown above are greater than 90 days and less than 12 months in time to maturity. The Fixed Deposits and Jibar Linked Notes that are less than 90 days in maturity are classified as cash and cash equivalents and are included under short-term deposits in note 16.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

Fair value information of assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

The following classes of financial assets at fair value through profit or loss are measured to fair value using quoted market prices:

- Local cash
- Local bonds
- Local equity
- Foreign cash
- Foreign bonds

Fair value hierarchy of financial assets at fair value through profit or 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, which 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).

Level 1				
Local bonds	247,532	203,743	247,532	203,743
Local equity	460,380	351,403	460,380	351,403
Foreign bonds	5,403	6,141	5,403	6,141
Total level 1	**713,315**	**561,287**	**713,315**	**561,287**
Level 2				
Local and foreign investments & NCD's	284,249	375,485	284,249	375,485
Total level 1 and 2	**997,564**	**936,772**	**997,564**	**936,772**

For the current and previous financial years, there were no transfers between levels 1 and 2. Financial assets at fair value through profit or loss are denominated in the following currencies:

Rand	997,564	936,772	997,564	936,772

Fair value information of available-for-sale financial assets

Available-for-sale financial assets are recognised at fair value unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets. Management believes that cost approximates fair value.

The following classes of available-for-sale financial assets are measured to fair value using quoted market prices:

- Negotiable Certificates of Deposit
- Promissory Notes

The carry value (based on the audited annual financial statements of Centriq) is used in the determination of the fair value of unlisted shares for which no reference can be made to quoted market prices. Management believes that the carry value approximates the fair value of this investment.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

Fair value hierarchy of available-for-sale financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets in active markets.

Level 2 applies inputs other than quoted prices included in level 1 that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2				
Negotiable Certificates of Deposit	1,904,136	1,646,935	1,904,136	1,646,935
Promissory Notes	663,299	562,956	663,299	562,956
Total level 2	**2,567,435**	**2,209,891**	**2,567,435**	**2,209,891**
Level 3				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	103,388	93,947	103,388	93,947
	2,670,823	**2,303,838**	**2,670,823**	**2,303,838**

Management are of the opinion that the carry 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.

Reconciliation of available-for-sale financial assets measured at level 3

Reconciliation of available-for-sale financial assets measured at level 3 - Group - 2017

	Opening balance	Gains or losses in other compre- hensive income	Closing balance
	R'000	R'000	R'000
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	93,947	9,441	103,388

Reconciliation of available-for-sale financial assets measured at level 3 - Company - 2017

	Opening balance	Gains or losses in other compre- hensive income	Closing balance
	R'000	R'000	R'000
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	93,947	9,441	103,388

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 2017, as well as an income statement for the period then ended.

The fair value of the preference share is determined with reference to the management accounts.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
Held to maturity investments				
Fixed deposits	2,242,726	2,098,982	2,242,726	2,098,982
Jibar Linked Notes	-	141,981	-	141,981

Management believes that the carrying amounts of the above mentioned assets approximates fair value.

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior years.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2017 and 2016, as all the financial assets were disposed of at their redemption date.

10. Operating lease asset (accrual)

Non-current assets	4,703	3,530	3,733	3,313
Current assets	141	116	107	142
Non-current liabilities	(69,004)	(62,972)	(69,004)	(62,954)
Current liabilities	(11,215)	(6,141)	(10,964)	(6,097)
Net operating lease accrual	**(75,375)**	**(65,467)**	**(76,128)**	**(65,596)**

The group has entered into operating leases for buildings. The operating leases (as the lessee) are straight-lined over the period of the lease contract. Refer to note 40 for the future minimum payments under non-cancellable operating leases.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

11. Retirement benefit obligation

Post-retirement benefits				
Retirement benefit asset	32,173	15,117	32,173	15,117
Present value - non-current liability	(1,202,166)	(1,246,652)	(1,202,166)	(1,246,178)
Present value - current liability	(136,294)	(150,202)	(136,294)	(150,144)
	(1,306,287)	**(1,381,737)**	**(1,306,287)**	**(1,381,205)**

Post Retirement benefit

Group 2017	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	3,555	1,393,210	2,684	5,212,676	6,612,125
Service cost	-	-	-	1,190	1,190
Finance expense	304	131,104	191	517,627	649,226
Benefits paid	(505)	(135,247)	(1,039)	(497,253)	(634,044)
Transfers	-	-	-	391,148	391,148
Actuarial (gain)/ loss	799	(53,943)	(45)	(23,936)	(77,125)
Present value of obligation at end of the year	**4,153**	**1,335,124**	**1,791**	**5,601,452**	**6,942,520**
Present value of assets					
Balance at the beginning of the year	-	-	17,800	5,955,829	5,973,629
Expected return on assets	-	-	1,567	592,290	593,857
Contributions received	-	-	-	2,573	2,573
Transfers	-	-	-	391,148	391,148
Benefits paid	-	-	(836)	(497,253)	(498,089)
Actuarial gains / losses	-	-	15,590	(176,077)	(160,487)
Present value of assets at end of the year	**-**	**-**	**34,121**	**6,268,510**	**6,302,631**
Net present value (obligation) / asset					
Present value obligation	(4,153)	(1,335,124)	(1,791)	(5,601,452)	(6,942,520)
Present value assets	-	-	34,121	6,268,510	6,302,631
(Deficit)/ surplus	(4,153)	(1,335,124)	32,330	667,058	(639,889)
Asset ceiling	-	-	-	(667,058)	(667,058)
Net present (obligation) / asset	**(4,153)**	**(1,335,124)**	**32,330**	**-**	**(1,306,947)**

Included in other financial assets is a post-retirement medical aid asset of R 998 million (2016: R 937 million) to support the post-retirement medical aid liability. Refer to note 9.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

Group 2016	Post retirement telephone subsidy	Post retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value of obligation					
Opening balance at beginning of the year	4,711	1,447,110	5,089	5,122,137	6,579,047
Service cost	-	-	-	3,909	3,909
Finance expense	377	115,769	378	409,771	526,295
Benefits Paid	(463)	(137,576)	(2,608)	(491,499)	(632,146)
Transfers	-	-	-	216,679	216,679
Actuarial (gains) / Losses	(1,070)	(32,093)	(175)	(48,321)	(81,659)
Present value of obligation at end of the year	**3,555**	**1,393,210**	**2,684**	**5,212,676**	**6,612,125**
Present value of assets		-			**Total**
Opening balance at the beginning of the year	-	-	17,800	5,981,621	5,999,421
Expected return on assets	-	-	1,321	478,530	479,851
Contribution received	-	-	-	3,919	3,919
Transfers	-	-	-	216,679	216,679
Benefits paid	-	-	(2,608)	(491,499)	(494,107)
Actuarial gains / (losses)	-	-	1,287	(233,421)	(232,134)
Present value of asset at end of the year	**-**	**-**	**17,800**	**5,955,829**	**5,973,629**
Net present value (obligation) / asset					**Total**
Present value obligation	(3,555)	(1,393,210)	(2,684)	(5,212,676)	(6,612,125)
Present value asset	-	-	17,800	5,955,829	5,973,629
(Deficit) / surplus	(3,555)	(1,393,210)	15,116	743,153	(638,496)
Asset ceiling	-	-	-	(743,250)	(743,250)
Net present (obligation) / asset	**(3,555)**	**(1,393,210)**	**15,116**	**(97)**	**(1,381,746)**

Included in other financial assets is a post-retirement medical aid asset of R 998 million (2016: R 937 million) to support the post-retirement medical aid liability. Refer to note 9.

Company 2017	Post retirement telephone subsidy	Post retirement medical subsidy	Provident fund	Retirement fund	Total
Present value of obligation					
Balance at beginning of the year	3,555	1,392,767	2,684	5,212,676	6,611,682
Service cost	-	-	-	1,190	1,190
Finance expense	304	131,104	191	517,627	649,226
Benefits paid	(505)	(135,247)	(1,039)	(497,253)	(634,044)
Transfers	799	-	-	391,148	391,947
Actuarial (gains) losses	-	(53,943)	(45)	(23,936)	(77,924)
Present value of obligation at end of year	**4,153**	**1,334,681**	**1,791**	**5,601,452**	**6,942,077**

Notes to the Consolidated Financial Statements

		Group		Company	
		2017	2016	2017	2016
		R '000	R '000	R '000	R '000
Present value of assets					**Total**
Balance at the beginning of the year	-	-	17,800	5,955,829	5,973,629
Expected return on asset	-	-	1,567	592,290	593,857
Contribution received	-	-		2,573	2,573
Transfers	-	-		391,148	391,148
Benefits paid	-	-	(836)	(497,253)	(498,089)
Actuarial gain / (loss)	-	-	15,590	(176,077)	(160,487)
Present value of asset at end of the year	**-**	**-**	**34,121**	**6,268,510**	**6,302,631**
Net present value (obligation) / asset					**Total**
Present value of obligation	(4,153)	(1,335,124)	(1,791)	(5,601,452)	(6,942,520)
Present value of asset	-	-	34,121	6,268,510	6,302,631
(Deficit) / surplus	(4,153)	(1,335,124)	32,330	667,058	(639,889)
Asset ceiling	-	-	-	(667,058)	(667,058)
Net present (obligation) / asset	**(4,153)**	**(1,335,124)**	**32,330**	**-**	**(1,306,947)**

Included in other financial assets is a post-retirement medical aid asset of R 998 billion (2016: R 937 million) to support the post-retirement medical aid liability. Refer to note 9.

Company 2016	**Post retirement telephone subsidy**	**Post retirement medical subsidy**	**Provident fund**	**Retirement fund**	**Total**
Present value of obligation					
Balance at beginning of the year	4,711	1,446,561	5,089	5,122,137	6,578,498
Service cost	-	-	-	3,909	3,909
Finance expense	377	115,725	378	409,771	526,251
Benefits paid	(463)	(137,521)	(2,608)	(491,499)	(632,091)
Transfers		-	(175)	216,679	216,504
Actuarial (gains) / losses	(1,070)	(31,998)	-	(48,321)	(81,389)
Present value of obligation at end of the year	**3,555**	**1,392,767**	**2,684**	**5,212,676**	**6,611,682**
Present value of asset					**Total**
Balance at beginning of the year	-	-	17,800	5,981,621	5,999,421
Expected return on assets	-	-	1,321	478,530	479,851
Contribution received	-	-	-	3,919	3,919
Transfers	-	-	-	216,679	216,679
Benefits paid	-	-	(2,608)	(491,499)	(494,107)
Actuarial gain / (loss)	-	-	1,287	(233,421)	(232,134)
Present value of asset at end of the year	**-**	**-**	**17,800**	**5,955,829**	**5,973,629**
Net present value (obligation) / liability					**Total**
Present value of obligation	(3,555)	(1,392,767)	(2,684)	(5,212,676)	(6,611,682)
Present value of asset	-	-	17,800	5,955,829	5,973,629
(Deficit) / surplus	(3,555)	(1,392,767)	15,116	743,153	(638,053)
Asset ceiling	-	-	-	(743,153)	(743,153)
Net present (obligation) / asset	**(3,555)**	**(1,392,767)**	**15,116**	**-**	**(1,381,206)**

Included in other financial assets is a post-retirement medical aid asset of R 998 million (2016: R 937 million) to support the post-retirement medical aid liability. Refer to note 9.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
Post retirement telephone subsidy				
The amounts recognised in profit and loss:				
Finance expense	304	377	304	377
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of post retirement telephone subsidy (actuarial (gains) / losses)				
Changes in assumptions	(15)	140	(15)	140
Experience adjustment	814	930	814	930
	1,103	**1,447**	**1,103**	**1,447**

The group has undertaken to pay the telephone accounts for certain retired employees and their surviving spouses until either the time of their death, that of their spouse or when they change their phone numbers or addresses. The group's net obligation in this regard is the amount of future benefits that the employees have earned in return for their service in the prior periods. Any unrecognised actuarial gains or losses and past service costs are recognised immediately. There are no plan assets for this liability and the employer funds this as the need for settlement arises

The PA(90) mortality table was used to determine post retirement mortality, and there is no service cost as the liability only relates to pensioners and the liability is fully accrued. Allowance was made in the calculation for inflationary increases in respect of the subsidy.

Actuarial Assumptions				
Discount rate	9.16%	9.17%	9.16%	9.17%
Long term price inflation	6.65%	6.73%	6.65%	6.73
	-	-	-	-

Post-retirement medical subsidy				
The amounts recognised in profit and loss:				
Interest cost	131,104	115,769	131,104	115,729
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of post-retirement medical subsidy (actuarial (gains) / losses)				
Change in assumptions	(54,889)	29,358	(54,889)	29,322
Experience adjustment	956	2,735	956	2,622
	77,171	**147,862**	**77,171**	**147,673**

During the 2008/2009 financial period, R 456,8 million worth of assets were transferred to the South African Post Office (SOC) Limited as a result of the Registrar for Medical Schemes' decision on 12 November 2008. The relevant assets are specifically and exclusively utilised for the future funding of the South African Post Office (SOC) Limited's Post-Retirement Medical Aid (PRMA) liability and have consequently been ear-marked and invested according to a specific unique investment mandate.

The company has negotiated with bargaining unit employees that employees retiring after 30 June 2005 will not receive PRMA benefits. This curtailment of benefits was accounted for during the 2005 period. In addition, spouses and dependants of employees who passed away whilst in the service of the South African Post Office (SOC) Limited after 2005 will also receive medical aid benefits as part of the Defined Benefit Plan.

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

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
Actuarial Assumptions				
Discount rate	9.75 %	9.88 %	9.75 %	9.88 %
Medical inflation increase rate	8.20 %	8.86 %	8.20 %	8.86 %
Long term price inflation	6.70 %	7.36 %	6.70 %	7.36 %
	-	-	-	-
Provident fund				
The amounts recognised in profit and loss:				
Net interest cost / (income)	1,119	(944)	1,119	(944)
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of provident fund (actuarial (gains) / losses)				
Change in assumptions	11	1,254	11	1,254
Experience adjustment	(111)	(141)	(111)	(141)
	1,019	**169**	**1,019**	**169**

The South African Post Office (SOC) Limited provident fund (the fund) was established on 1 August 1993 to hedge the leave liability beyond a specific threshold. The fund became dormant on 1 April 2004 when all leave entitlement and salaries were capped.

In terms of a surplus apportionment scheme conducted by the fund some years ago, an Employer Surplus Reserve was created within the ambit of the fund and in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956, as amended) for the benefit of the South African Post Office (SOC) Limited.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable. The assets held by the fund are registered in the name of the fund.

As per the rules of the fund, the South African Post Office (SOC) Limited is required to meet the balance of cost of financing the benefits provided by the fund, which would include the any fund deficit. At year end, the South African Post Office (SOC) Limited met the balance of cost of financing the benefits provided by the fund. The Employer Surplus Reserve is available to fund future deficits should they arise

The SA85-90 (Light) table was used to determine pre-retirement mortality. This is a table reflecting mortality experience in South Africa. A retirement age of 59 years was assumed, and for employees currently over age 59, the immediate value of the benefit was provided for. The accounting standard requires that the liabilities are valued using the Projected Unit Credit Method. This method was therefore used to value the liabilities. The service in respect of the leave days was fully accrued for.

Actuarial Assumptions				
Discount rate	7.97 %	8.80 %	7.97 %	8.80 %
Expected return on plan assets	7.97 %	8.80 %	7.97 %	8.80 %
Long term price inflation	4.95 %	6.47 %	4.95 %	6.47 %
	-	-	-	-

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	**2016**	**2017**	**2016**
	R '000	**R '000**	**R '000**	**R '000**
Pension fund				
The amounts recognised in profit and loss:				
Service cost	1,190	3,909	1,190	3,909
Net interest income	(74,663)	(68,758)	(74,663)	(68,758)
Remeasurements of post retirement fund (actuarial (gains) / losses)				
Changes in assumptions	(151,089)	233,421	(151,089)	233,421
Experience adjustment	260,599	(48,321)	260,599	(48,321)
Remeasurement of asset				
Asset ceiling	709,729	743,153	709,729	743,153
	745,766	**863,404**	**745,766**	**863,404**

The South African Post Office (SOC) Limited retirement fund (the fund) previously known as the Post Office Pension Fund, was established on 1 October 1991 in terms of section 9(1) of the Post Office Act, 1958 (Act No.44 of 1958, as amended). The fund only allowed for defined benefit members until 30 November 2005 when it was converted into primarily a defined contribution scheme. It then became known as the South African Post Office (SOC) Limited retirement fund.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable.

The assets held by the fund are registered in the name of the fund which has as its objective the provision of retirement and ancillary benefits to all its beneficiaries, being pensioners and active members.

In terms of section 10A of the South African Post Office Act (Act No 44 of 1958, as amended), the financial obligations of the South African Post Office (SOC) Limited retirement fund in respect of its defined benefit members and pensioners are guaranteed by the South African Post Office (SOC) Limited whilst the Government of the Republic of South Africa in turn guarantees the obligations of the South African Post Office (SOC) Limited in this regard.

In terms of a recent actuarial capital adequacy analysis, the fund was fully funded and the actuary concluded that it was in a sound financial position

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

Given the small number of active DB members and their age profile, no specific allowance for withdrawals was made. This implies that the actuarial reserve value is available to provide benefits on voluntary exit and retrenchment. It was assumed, on average, that active members will retire early at age 59 (the normal retirement age of the remaining active defined benefit members is 65 years). The accounting standard requires that the liabilities are valued using the Projected Unit Credit Method, and this method was therefore applied.

The Fund provides benefits of both Defined Benefit and Defined Contribution nature. The liability in respect of active defined benefit members was based on the actual past service of Members in the active service of the Company. The liability in respect of current pensioners is fully accounted for.

The liabilities, assets and reserve accounts relating to the Defined Contribution section of the fund were excluded from the valuation. In aggregate, these liabilities (and assets) amount to approximately R8 billion.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
Actuarial assumptions				
Discount rate	10.12 %	10.03 %	10.12 %	10.03 %
Expected return on plan assets	10.12 %	10.03 %	10.12 %	10.03 %
Long term plan inflation	7.14 %	7.45 %	7.14 %	7.45 %
	-	-	-	-

12. Deferred tax

	Group 2017 R '000	Group 2016 R '000	Company 2017 R '000	Company 2016 R '000
Deferred tax liability				
Fixed assets	(18,538)	-	-	-
Trade and other payables	(271)	(159)	-	-
Total deferred tax liability	**(18,809)**	**(159)**	**-**	**-**
Deferred tax asset				
Tax loss	297	74	-	-
Fixed assets	-	653	-	-
Deferred tax balance from temporary differences other than unused tax losses	297	727	-	-
Total deferred tax asset	**297**	**727**	**-**	**-**
Deferred tax liability	(18,809)	(159)	-	-
Deferred tax asset	297	727	-	-
Total net deferred tax (liability) asset	**(18,512)**	**568**	**-**	**-**
Reconciling deferred tax asset / (liability)				
At beginning of year	568	94	-	-
Increase in tax loss available for set off against future taxable income	223	74	-	-
Temporary difference on trade and other payables	(112)	(153)	-	-
Temporary difference on fixed assets	(19,191)	553	-	-
	(18,512)	**568**	**-**	**-**

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.

The company has not recognised the deferred tax asset on assessed losses, while the company expects to return to marginal profitability in the 2018 financial year, the company has adopted a conservative view that anticipates the company not having future taxable profit to utilise the unused tax losses against, and as such, the deferred tax asset has not been recognised.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
Unrecognised deferred tax asset				
Available for sale financial assets (OCI)	(4,336)	(819)	(4,335)	(819)
Revaluation on fixed assets (OCI)	(412,024)	(4,537)	(412,024)	(4,537)
Defined benefit plan	374,769	391,094	374,769	390,970
Tax Loss	1,178,351	798,287	994,972	634,220
Employee benefits	96,233	90,392	95,879	87,189
Trade and other receivables	1,563	(268)	1,528	(275)
Income received in advance	34,021	19,762	33,628	19,438
Trade and other payables	16,538	15,579	17,046	16,974
Provisions	70,139	137,795	68,520	132,948
Fixed assets	(78,199)	(50,018)	(79,913)	(51,671)
Financial instruments	(140,064)	(102,044)	(140,064)	(102,044)
	1,136,991	**1,295,223**	**950,006**	**1,122,393**

Use and sales rate

The deferred tax rate applied to the fair value adjustments of financial assets is determined by the expected manner of recovery. Where the expected recovery of financial assets is through sale the capital gains tax rate of 22.4% (2016: 18.67%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2016: 28%) is applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

The deferred tax on the fair value of investment properties and financial assets, as well as revaluation of owner occupied properties comprises:

Land R (112,946) million at the capital gains tax rate

Financial instrument R (124,774) million at the capital gains tax rate. Buildings R (329,752) million at the normal tax rate.

13. Prepayments

	Group 2017	Group 2016	Company 2017	Company 2016
IT solutions paid in advance				
Services receivable within one year	16,511	16,138	16,511	16,138
Services receivable within two to five years	1,548	10,107	1,548	10,107
Total prepayments	**18,059**	**26,245**	**18,059**	**26,245**

14. Inventories

	Group 2017	Group 2016	Company 2017	Company 2016
Merchandise	39,768	35,400	39,768	35,400
Consumables	45,771	29,309	45,745	29,241
Total inventories	85,539	64,709	85,513	64,641
Write-downs	(15,538)	(9,925)	(15,538)	(9,901)
Total inventories net of write-downs	**70,001**	**54,784**	**69,975**	**54,740**
Carrying value of inventories carried at fair value less costs to sell	70,001	54,784	69,975	54,740

Inventories recognised as an expense for the Group in during 2017 amounted to R 34,922 million (2016: R 26,628 million). The corresponding amount for the Company is R 34,818 million (2016: R 26,511 million).

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

15. Trade and other receivables

	Group 2017 R '000	Group 2016 R '000	Company 2017 R '000	Company 2016 R '000
Trade receivables (net of impairment)	177,415	214,730	173,282	204,274
Employee costs in advance	2,246	1,551	2,333	1,490
Deposits	736	736	-	-
VAT	-	1,024	-	-
Interest accrued on short-term investments	8,249	1,481	8,198	1,421
International debtors (net of impairment)	145,674	176,954	145,674	176,954
Other receivables (net of impairment)	79,480	15,500	66,287	9,782
Total trade and other receivables	**413,800**	**411,976**	**395,774**	**393,921**
Trade receivables (net of impairment) consists of:				
Trade receivables (gross)	295,598	351,605	286,641	332,801
Impairment	(118,183)	(136,875)	(113,359)	(128,527)
Trade receivables (net of impairment)	**177,415**	**214,730**	**173,282**	**204,274**
International debtors (net of impairment) consists of:				
International debtors (gross)	145,674	176,954	145,674	176,954
Other receivables (net of impairment) consists of:				
Other receivables (gross)	98,162	46,332	84,969	49,504
Impairment	(18,682)	(30,832)	(18,682)	(39,722)
Other receivables (net of impairment)	**79,480**	**15,500**	**66,287**	**9,782**

Trade and other receivables pledged as security

No trade and other receivables have been pledged as security for liabilities.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
Trade receivables				
Summary of credit quality of trade receivables				
Total trade receivables with external credit ratings	87,105	204,123	82,057	204,123
Total trade receivables without external credit ratings	140,735	128,993	140,735	91,145
Total trade receivables not submitted for credit ratings	67,758	18,489	63,850	37,533
Total	**295,598**	**351,605**	**286,642**	**332,801**
Counterparties with external credit rating				
Low	1,135	15,770	1,135	15,770
Medium	10,957	5,059	5,909	5,059
High	75,013	183,294	75,013	183,294
Total trade receivables with external credit ratings	**87,105**	**204,123**	**82,057**	**204,123**
Counterparties without external credit rating				
Group 1	-	-	-	-
Group 2	7,547	16,897	7,547	14,637
Group 3	133,188	112,096	133,188	76,508
Total trade receivables without credit ratings	**140,735**	**128,993**	**140,735**	**91,145**
Total trade receivables not submitted for credit ratings				
Trade receivables less than R20,000	2,292	-	2,292	-
Rental receivables	52,303	-	48,395	-
Other trade receivables	13,163	18,489	13,163	37,533
Total trade receivables without credit ratings	**67,758**	**18,489**	**63,850**	**37,533**

Group 1 – new customer (less than 6 months).

Group 2 – existing customer (more than 6 months) with no defaults in the past.

Group 3 – existing customer (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Group 4 – related parties. Refer to note 42 for more details.

None of the financial assets that are fully performing have been renegotiated in the last year.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
Fair value of trade and other receivables				
Trade and other receivables	413,800	411,976	395,774	393,921

Trade receivables are discounted at year end at the prime interest rate of 10.5% (2016: 10.5%) to bring them to their net present value. Trade receivables are shown net of impairment.

Long term related party receivables net of impairment have been reclassified to "Inter group loans and receivables". For more detail, refer to note 8.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 30 days past due are not considered to be impaired. At 31 March 2017, R 388,288 million (2016: R 142,680 million) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 to 3 months past due	202,380	142,339	198,852	134,790
4 to 6 months past due	-	141	-	1,846
7 to 12 months past due	-	-	-	-
More than 1 year past due	185,908	200	179,618	200

Trade and other receivables impaired

As of 31 March 2017, trade and other receivables of R 136,865 million (2016: R 152,315 million) were impaired and provided for.

The ageing of these receivables are as follows:

Trade receivables				
Current to 3 months	2,197	15,344	223	15,344
4 to 6 months	115,987	121,531	113,136	113,128
Other receivables				
More than 1 year	18,682	30,832	18,682	39,722

Reconciliation of allowance for credit losses on trade and other receivables

Opening balance	152,315	67,121	143,943	64,338
Allowance for credit losses	6,372	69,216	6,372	69,216
Amounts written off as uncollectable	(226)	(5,333)	(226)	(5,333)
Unused amounts reversed	(21,596)	21,311	(18,048)	15,722
Total allowance for credit losses	**136,865**	**152,315**	**132,041**	**143,943**

The creation and release of the allowance for credit losses has been included in operating expenses in profit or loss (note 31). Unwinding of discount is included in operating expenses in profit or loss (note 31). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above.

The company operates under various credit terms. Bulkmail is seven days from date of invoice, and the rest of the business operates on thirty days from statement date. The group's domestic trade receivables are R 286 million (2016: R 285 million) of which R 225 million (2016: R204 million) are older than 30 days.

At each reporting date, the group assesses whether there is any objective evidence that trade and other receivables should be impaired. Individual significant financial assets are tested for impairment. Group impairment losses for trade and other receivables amounting to R 0,528 million (2016: R 0,667 million) have been raised in profit and loss in the statement of comprehensive income, where there was objective evidence that the group will not be able to collect all amounts due, in accordance with the original terms agreed upon. The impairment allowances are considered to be adequate for the group.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

Included in trade and other receivables are international debtors. Debt in this category is held with individual countries and trade is governed by rules set up by the Universal Postal Union (UPU) currently situated in Switzerland. Services are divided into various product categories and each product has a unique payment term ranging from 12 months and onwards. The nature of the business allows countries to operate trade debtors and creditors accounts. Average payment terms per country on letters and expedited mail services are about 18 months. International trade receivables are R145,674 million (2016: R 176,954 million) of which R 11,667 million (2016: R 15,972 million) is older than 18 months.

The South African Post Office (SOC) Limited and its subsidiary companies fall outside of the definition of a "Credit Provider" for purposes of registration with the National Credit Regulator. The South African Post Office (SOC) Limited and its subsidiary companies nevertheless have to comply with the National Credit Act where accounts are opened for Juristic persons such as Sole Proprietors and Trusts, where less than 3 trustees are appointed.

Trade receivables comprise a large number of customers, dispersed across different industries and geographical areas. The group uses an internal / external credit scoring system to assess all potential customers' creditworthiness. Customer's credit is assessed manually, using information derived from credit bureaus, financial accounting records, bank records and other sources, after which they are put through an internal grading system. Where appropriate, the necessary credit guarantees or deposits will be required before opening an account. Current guarantees on hand R207 million (2016: R 206 million). Accounts are opened for clients who are creditworthy and who accept the terms and conditions prescribed by The South African Post Office (SOC) Limited and its subsidiaries. Such accounts are assigned a credit limit. The account number, the terms as well as the credit limit is confirmed in writing to the customer. Assessments of accounts are done on a regular basis as outlined in the group procedure document. The frequency is determined by the nature of each business within the group.

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3,071,830	2,053,407	3,050,162	2,039,851
Short-term deposits	983,680	831,628	983,680	831,628
Bank overdraft	-	(229,413)	-	(229,413)
	4,055,510	**2,655,622**	**4,033,842**	**2,642,066**
Current assets	4,055,510	2,885,035	4,033,842	2,871,479
Current liabilities	-	(229,413)	-	(229,413)
	4,055,510	**2,655,622**	**4,033,842**	**2,642,066**

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

17. Share capital

Authorised				
1 000 000 000 Ordinary shares of R1each	1,000,000	1,000,000	1,000,000	1,000,000
Issued				
Ordinary shares of R1 each	693,116	693,116	693,116	693,116
Reconciliation of number of shares issued:				
Opening balance	693,116	200,940	693,116	200,940
Conversion of the shareholders loan into ordinary shares of R1 each (Postbank loan)	-	205,000	-	205,000
Conversion of shareholders loan (TBVC Loan)	-	287,176	-	287,176
	693,116	**693,116**	**693,116**	**693,116**

At year end, there are 306,884,121 unissued ordinary shares. This authority remains in force until the next Annual General Meeting. The company is in the process of converting the remaining shareholder loans to capital. Refer to note 19 for more detail.

18. Fair value adjustment on assets-available-for-sale reserve

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

Negotiable Certificates of Deposit (NCDs), Promissory Notes and the unlisted shares held in the cell captive Centriq Insurance

Innovation (Pty) Ltd are classified as available for sale financial assets.

Available-for-sale financial assets are measured at fair value, with fair value gains and losses recognised directly in other comprehensive income as the available-for-sale equity revaluation reserve. Interest is calculated using the effective interest method. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available for sale reserve is included in profit or loss for the period.

NCDs and Promissory Notes are measured to fair value using quoted market prices. The net asset value model is used in the determination of the fair value of unlisted shares for which no reference can be made to quote market prices.

Quoted market prices	1,678	(4,010)	1,678	(4,010)
Unlisted shares	83,175	73,897	83,175	73,897
Total fair value adjustment	**84,853**	**69,887**	**84,853**	**69,887**

19. Convertible shareholder instruments

Capital reserves comprises equity where no share certificates are issued. The equity is transferred into share capital once shares of the company are issued.

During the 2013/2014 year, an amount of R 205 million was received from National Treasury for the corporatisation of Postbank. The company issued 205 million South African Post Office (SOC) Limited R 1 shares in exchange. These funds are included in Postbank's investment portfolio and are managed through Postbank's Asset and Liability Committee (ALCO) processes. The amount is interest free and has no fixed terms of repayment. There is no expectation to repay these funds which are viewed as being equity in nature.

As a result of the incorporation of the former TBVC states i.e. Transkei, Bophuthatswana, Venda and Ciskei post offices, a shareholder loan to the amount of R 287 million was received. The incorporation was done in accordance with the Post and

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

Telecommunications Reorganisation Act which provided for the integration of the departments of Post and Telecommunications of the TBVC states with Telkom and the South African Post Office (SOC) Limited. The amount was previously classified as a financial liability at cost and carried interest at a rate of 8.5% per annum in terms of section 80 of the Public Finance Management Act and there were no fixed repayment terms for this liability. The company applied to the

Department of Telecommunications and Postal Services for permission to convert this loan to share capital, which was granted during the 2013/2014 year and 287 million R 1 shares were issued as compensation.

During the current financial year, convertible equity loan of R650 million was received from the shareholder. In the prior year, R492 176 058 of the equity loan was converted into 492 176 058 ordinary shares.

Department of Telecommunications and Postal Services (Postbank)	174,000	379,000	174,000	379,000
Department of Telecommunications and Postal Services (TBVC)	650,000	287,176	650,000	287,176
Issued share capital	-	(492,176)	-	(492,176)
Total convertible shareholder instruments	**824,000**	**174,000**	**824,000**	**174,000**

20. Provisions

Reconciliation of provisions - Group - 2017

	Opening balance	Additions / change in estimate	Utilised during the year	(Reversed) / transferred during the year	Unwinding discount factor	Closing balance
	R '000	R '000	R '000	R '000	R '000	R '000
Contractual 13th cheque	54,617	73,502	(63,825)	-	-	64,294
General provision	368,020	1,416	(1,535)	(131,352)	-	119,615
Leave pay	206,164	8,025	(3,036)	-	-	211,153
Legal proceedings	3,000	486	-	-	-	3,486
Long service cash awards	42,634	5,053	-	-	-	47,687
Long service leave awards	15,838	880	(332)	-	-	16,386
Site restoration	239,667	(6,570)	(913)	-	27,562	259,746
Total provisions	**929,940**	**1,497,029**	**(1,600,812)**	**(131,352)**	**27,562**	**722,367**

Reconciliation of provisions - Group - 2016

	Opening balance	Additions / change in estimate	Utilised during the year	(Reversed) / transferred during the year	Unwinding discount factor	Closing balance
	R '000	R '000	R '000	R '000	R '000	R '000
Contractual 13th cheque	60,808	9,295	(6,189)	(9,297)	-	54,617
General provision	173,654	589,288	(293,552)	(101,370)	-	368,020
Leave pay	226,698	31,591	(26,736)	(25,389)	-	206,164
Legal proceedings	5,847	-	(2,847)	-	-	3,000
Long service cash awards	46,334	7,116	(12,014)	1,198	-	42,634
Long service leave awards	18,077	2,829	(3,917)	(1,151)	-	15,838
Site restoration	241,593	(24,558)	(1,662)	-	24,294	239,667
Total provisions	**773,011**	**615,561**	**(346,917)**	**(136,009)**	**24,294**	**929,940**

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

Reconciliation of provisions - Company - 2017

	Opening balance	Additions/ change in estimate	Utilised during the year	Unwinding discount factor	Closing balance
	R '000	R '000	R '000	R '000	R '000
Contractual 13th cheque	52,730	72,493	(61,119)	-	64,104
General provision	360,181	1,513	(1,755)	-	118,289
Leave pay	200,549	15,751	(2,053)	-	214,247
Legal proceedings	3,000	-	-	-	3,000
Long service cash awards	42,271	5,416	-	-	47,687
Long service leave awards	15,838	880	(332)	-	16,386
Site restoration	237,063	(6,570)	(798)	27,562	257,257
Total provisions	**911,632**	**1,601,066**	**(1,819,290)**	**27,562**	**720,970**

Reconciliation of provisions - Company - 2016

	Opening balance	Additions/ change in estimate	Utilised during the year	Reversed during the year	Unwinding discount factor	Closing balance
	R '000	R '000	R '000	R '000	R '000	R '000
Contractual 13th cheque	56,593	4,070	(4,606)	(3,327)	-	52,730
General provision	172,333	581,820	(23,831)	(370,141)	-	360,181
Leave pay	218,245	17,458	(10,864)	(24,290)	-	200,549
Legal proceedings	5,847	2,000	(4,847)	-	-	3,000
Long service cash awards	45,788	7,028	(11,736)	1,191	-	42,271
Long service leave awards	18,077	2,829	(3,917)	(1,151)	-	15,838
Site restoration	239,122	(24,558)	(1,795)	-	24,294	237,063
Total provisions	**756,005**	**590,647**	**(61,596)**	**(397,718)**	**24,294**	**911,632**

	Group		Company	
	2017	2015	2017	2015
	R '000	R '000	R '000	R '000
Non-current liabilities	400,472	378,719	397,983	371,405
Current liabilities	321,895	551,221	322,987	540,227
Total provisions	**722,367**	**929,940**	**720,970**	**911,632**

General provision

The provision relates to various items such as the provisions for interest and penalties and VAT and other similar obligations.

Leave obligation

Employees are entitled to 22 days leave per annum. Provided that a staff member has taken at least 15 days in a period the remaining leave may be carried over into future years. Any leave balance remaining when an employee leaves the service of the South African Post Office (SOC) Limited for whatever reason (e.g. resignation, death, retirement) is encashed at that time.

Notes to the Consolidated Financial Statements

Capped leave

In addition to their "normal" current accrued leave some staff members also have an amount of "capped" leave. During 2001 and 2002 the South African Post Office (SOC) Limited negotiated with staff in different categories that leave accrued up till that date would in future only be encashed at the salary as at that time. This leave can be taken as leave or encashed, but only after all other accrued leave has been taken. Any remaining balance will be paid out as cash when the employee leaves the service of the South African Post Office (SOC) Limited.

Given these rules, the South African Post Office (SOC) Limited recognises that the balances in both the "capped" leave and "normal" accrued leave will not be settled in the 12 months following the date of calculation, and therefore some form of calculation is required. In performing these calculations, has been applied an assumption that 50% of the balance standing in the "normal" accrued leave will be taken as leave in the next 12 months. The remainder of the "normal" and the balance in the "capped" leave will be paid out in cash when the employee leaves the service of the South African Post Office (SOC) Limited by death, resignation or retirement. In the case of the "accrued" leave, this will be based on the salary applicable at that date, and in the case of the "capped" leave, based on the current fixed rate.

A restricted number of employees are members of the leave provident fund. This provident fund provides for leave in excess of 60 days at a specific point in time. No additional employees may become members of this fund. Leave in this fund can only be en-cashed when the employee retires or resigns and cannot be utilised as leave. As provident fund assets are sufficient this leave is not accrued by the company.

Long service leave awards

The group has a policy of increasing leave days due to employees reaching ten years within the South African Post Office (SOC) Limited's employment. The increase in leave days is from 22 to 24 days in the employee's tenth period only.

Long service cash awards

The group has a once off cash award policies in respect of long service. The group has valued this benefit in the current period, and shall be valuing the benefit annually.

Site restoration

The provision relates to the decommissioning costs that are expected to be incurred upon the termination or conclusion of lease agreements. These costs have been capitalised in terms of the relevant lease agreements. It is uncertain whether these leases will be extended or terminated earlier and this creates uncertainties regarding the amount and timing of the cash flows. There are no expected reimbursements for the costs that will be incurred.

The main assumptions used in the calculation of this provision are as follows:

The Universal Service Obligations (USO) obliges the South African Post Office (SOC) Limited to expand its presence in South Africa (SA), especially in rural SA. This means that the South African Post Office (SOC) Limited would most probably not reduce the number of leasehold premises, but instead expand its presence to more buildings. The type of leasehold premises has been taken into account in arriving at a conclusion regarding possible restoration. A vacant stand with a Mail Collection Point (MCP) would probably not require restoration should they ever wish to relocate. The South African Post Office (SOC) Limited may not wish to relocate from shopping centres and malls. In the event that it does relocate the terms of the lease and the nature of its business are such that restoration of the premises would not be required. The date that the South African Post Office (SOC) Limited originally occupied the leasehold premises is also an indication of the chances of ever moving out of the premises, thus negating the liability to restore such leasehold premises. During the year, the South African Post Office (SOC) Limited relocated from 31 (2016: 70) leasehold premises of which 11 (2016: 27) of the lessors required restoration, thus further supporting the expectation that relocation and thus restoration would not occur in most instances.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

21. Trade and other payables

Trade payables	102,220	524,842	54,205	491,741
Accrued expenses	288,826	409,677	254,475	377,802
International trade payables	160,671	175,858	160,671	175,858
Deposits received	130,031	143,605	127,999	141,694
Employee benefit payments	76,465	159,642	75,305	158,322
Other payables	77,359	78,659	77,153	78,067
VAT	51,979	531	50,883	-
Total trade and other payables	**887,551**	**1,492,814**	**800,691**	**1,423,484**

Fair value of trade and other payables				
Trade payables	887,551	1,492,814	800,691	1,423,484

Trade payables are discounted at year end at the prime interest rate of 10.5% (2016: 10.25%) to bring them to their net present value.

For explanation of the group's liquidity risk management processes, refer to note 44.

22. Other financial liabilities

Held at amortised cost				
Bank loans	3,700,980	-	3,700,980	-
Term loans (current portion)	-	1,008,246	-	1,008,246
The loans are secured by government guarantee, bears interest at JIBAR linked rate payable monthly and quarterly. The Capital Amount is repayable on maturity with a renewal option.				
	3,700,980	**1,008,246**	**3,700,980**	**1,008,246**

Non-current liabilities				
At amortised cost	3,700,980	-	3,700,980	-
Current liabilities				
At amortised cost	-	1,008,246	-	1,008,246
	3,700,980	**1,008,246**	**3,700,980**	**1,008,246**

The carrying amounts of financial liabilities at amortised cost are denominated in the following currencies:

Rand	3,700,980	1,008,246	3,700,980	1,008,246

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

23. Deferred income

Deferred income consists of the following:

Bulk mail, parcels and registered letters revenue	24,595	40,960	24,595	40,960
Franking mail revenue	3,767	4,869	3,767	4,869
Box revenue	176,854	189,102	176,854	189,102
Stamp and envelope revenue	6,434	7,269	6,434	7,269
Speed services revenue	1,010	452	1,010	452
International revenue	1,498	630	1,498	630
Electronic Bill Presentment and Payments revenue (EBPP)	540	7,522	540	7,522
XPS freight	67	219	-	-
PX containers	-	103	-	-
Subscription fees	8,912	7,509	-	-
Total deferred income	**223,677**	**258,635**	**214,698**	**250,804**

Relating to South African Post Office (SOC) Limited (company):

Bulk mail, parcels and registered letters revenue

The deferred revenue calculation is based on the mail delivery performance statistics for March 2017. Revenue is recognised by reference to stage of completion at the reporting period. Revenue received in the last eight days prior to year end is deferred based on the progress of delivery.

Franking mail revenue

The deferred revenue calculation is based on the assumption that eight (8) working days revenue is unearned. This period is formulated on a combination of the delivery standards and the holding time of customers after purchase.

Box revenue

The renewal cycle for the rental of the boxes is a calendar year from 1 January to 31 December however; the financial year for the Post Office is 1 April to 31 March. This means that only the revenue for three (3) months of the renewal cycle is earned for that financial year and the remaining nine (9) months of the renewal cycle is regarded as deferred revenue.

Stamp and envelope revenue

The deferred revenue calculation is based on the assumption that eight days revenue is unearned. This period is formulated on a combination of the delivery standards and the holding time of customers after purchase.

Speed services revenue

*** Domestic items:**

The delivery period for parcels is overnight and for parcels mailed on the 31 of March a 40% is assigned based on the premise that the delivery of the parcel is the following day, 1 of April.

*** International items:**

80% of the revenue generated on the 31 March is deferred to the new financial year. This is due to the fact that the parcels must be delivered overnight and thus the majority of the parcels are only delivered on 1 April.

International revenue

The mail delivery standards are applied for the different categories on a weighted average basis. The last seven days sales were extracted and the mail delivery performance statistics were used to calculate the revenue to be deferred for those days.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

Electronic Bill Presentment and Payments (EBPP) revenue

The deferred revenue is for advanced payments received for services that still needs to be rendered.

Relating to The Courier and Freight Group (Pty) Ltd: XPS freight

Deferred revenue is calculated by determining the stage of completion at the reporting period. The stage of completion of delivery at year end, which is determined by dividing the number of days that have elapsed since the items have been accepted by the total number of days it takes to complete the delivery of an item.

PX containers

Deferred revenue is calculated by determining the stage of completion at the reporting period. The stage of completion of delivery at year end, which is determined by dividing the number of days that have elapsed since the items have been accepted by the total number of days it takes to complete the delivery of an item.

Relating to The Document Exchange (Pty) Ltd:

Subscription fees

Annual subscription fees are paid for a twelve (12) month period. In cases where the membership overlaps between two financial years, the portion of the amount attributable to the subsequent financial year is deferred.

24. Deposits from the public

Term deposits	132,321	134,705	132,321	134,705
Transactional and savings accounts	4,899,667	4,685,521	4,899,667	4,685,521
Total deposits from the public	**5,031,988**	**4,820,226**	**5,031,988**	**4,820,226**

Deposit products include transactional accounts, savings accounts and term deposits. Transactional and savings accounts are all overnight deposits which are all payable on demand. Term deposits vary from one month to five years. All amounts owed to the depositors are classified as financial liabilities at cost. Interest payable on both transactional and deposit accounts are capitalised monthly. All account holders are individuals within the Republic of South Africa.

Interest paid on overnight deposit accounts is fixed and varies from 0.00% to 2.80% per annum (2016: 0.00% to 2.80%) depending on the account balance. Term deposits attract interest that varies from 3.75% to 5.65% per annum

(2016: 3.75% to 5.65%) and all rates are linked to prime rate.

Deposits from the public are fully covered by investments and other financial assets as well as cash and cash equivalents, and these amounts are included in the total balances reflected in notes 9 and 16.

25. Funds collected on behalf of third parties

Agency services and collections	89,117	81,208	89,117	81,208
Money and postal orders	(5,756)	24,684	(5,756)	24,684
Total funds collected on behalf of third parties	**83,361**	**105,892**	**83,361**	**105,892**

Funds collected from the customers of the group third party clients are paid into their bank accounts within 24 hours following the collection at Post Office outlets. In terms of service level agreements with the clients, no interest will be paid to clients for the 24 hour period before the money collected is paid into the client's respective accounts. Money and postal orders are unclaimed obligations that are payable on demand.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

26. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2017

	Loans and receivables	Fair value through profit or loss - held for trading	Held to maturity investments	Available-for-sale	Closing balance
	R '000	R '000	R '000	R '000	R '000
Cash and bank balances	-	4,055,510	-	-	4,055,510
Other financial assets	-	997,565	2,242,726	2,670,822	5,911,113
Trade and other receivables	413,800	-	-	-	413,800
Total financial assets	**413,800**	**5,053,075**	**2,242,726**	**2,670,822**	**10,380,423**

Group - 2016

	Loans and receivables	Fair value through profit or loss - held for trading	Held to maturity investments	Available-for-sale	Closing balance
	R '000	R '000	R '000	R '000	R '000
Cash and bank balances	-	2,885,034	-	-	2,885,034
Other financial assets	-	936,772	2,240,962	2,303,838	5,481,572
Trade and other receivables	411,976	-	-	-	411,976
Total financial assets	**411,976**	**3,821,806**	**2,240,962**	**2,303,838**	**8,778,582**

Company - 2017

	Loans and receivables	Fair value through profit or loss - held for trading	Held to maturity investments	Available-for-sale	Closing balance
	R '000	R '000	R '000	R '000	R '000
Cash and bank balances	-	4,033,842	-	-	4,033,842
Other financial assets	-	997,565	2,242,726	2,670,822	5,911,113
Trade and other receivables	395,774	-	-	-	395,774
Total financial assets	**395,774**	**5,031,407**	**2,242,726**	**2,670,822**	**10,340,729**

Company - 2016

	Loans and receivables	Fair value through profit or loss - held for trading	Held to maturity investments	Available-for-sale	Closing balance
	R '000	R '000	R '000	R '000	R '000
Cash and bank balances	-	2,871,479	-	-	2,871,479
Other financial assets	-	936,772	2,240,962	2,303,838	5,481,572
Loans to group companies	538	-	-	-	538
Trade and other receivables	393,921	-	-	-	393,921
Total financial assets	**394,459**	**3,808,251**	**2,240,962**	**2,303,838**	**8,747,510**

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

27. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2017

	Financial liabilities at amortised cost R '000
Deposits from the public	5,031,988
Funds collected on behalf of third parties	83,361
Other financial liabilities	3,700,980
Trade and other payables	887,551
Total financial liabilities	**9,703,880**

Group - 2016

	Financial liabilities at amortised cost R '000
Bank overdraft	229,413
Deposits from the public	4,820,226
Funds collected on behalf of third parties	105,892
Other financial liabilities	1,008,246
Trade and other payables	1,492,814
Total financial liabilities	**7,656,591**

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

Company - 2017

	Financial liabilities at amortised cost R '000
Deposits from the public	5,031,988
Funds collected on behalf of third parties	83,361

Notes to the Consolidated Financial Statements

Other financial liabilities	3,700,980
Trade and other payables	800,691
Total financial liabilities	**9,617,020**

Company - 2016

	Financial liabilities at amortised cost R '000
Bank overdraft	229,413
Deposits from the public	4,820,226
Funds collected on behalf of third parties	105,892
Other financial liabilities	1,008,246
Trade and other payables	1,423,484
Total financial liabilities	**7,587,261**

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016 (Restated)	2017	2016 (Restated)
	R '000	R '000	R '000	R '000

28. Revenue

Postbank service charges	211,392	217,331	211,392	217,331
Postbank interest revenue	433,590	380,827	433,590	380,827
Rental income	48,398	53,342	46,073	49,814
Retail products	16,670	22,388	16,670	22,388
Services rendered - Postal	3,209,162	3,378,175	3,173,715	3,342,611
Services rendered - Agency and money transfer	489,105	454,896	489,105	454,896
Services rendered - Courier	130,342	226,418	91,365	122,189
Total revenue	**4,538,659**	**4,733,377**	**4,461,910**	**4,590,056**

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

These services include work performed as an agent for certain Government departments, other authorities and businesses. Refer to note 42 for more information.

29. Other income

Commissions received	1,842	1,889	1,842	1,889
Fees earned	6,188	342	6,188	342
Foreign exchange differences	770	-	770	-
Other income	45,826	17,761	31,253	12,214
Recoveries	35,444	64,607	33,715	110,925
Sundry income	137,663	3,496	128,748	3,495
Total other income	**227,733**	**88,095**	**202,516**	**128,865**

30. Depreciation, amortisation and impairments

The following items are included within depreciation, amortisation and impairments:

Depreciation				
Property, plant and equipment	107,973	98,467	106,311	95,882
Investment property	954	3,264	917	3,227
Total depreciation	**108,927**	**101,731**	**107,228**	**99,109**
Amortisation				
Intangible assets	32,574	32,864	32,532	32,821
Impairments				
Investments in subsidiaries	-	605	(16,057)	605
Inter company loans and long term receivables	(36,681)	757	(9,221)	-
Inventories	(868)	1,261	(972)	1,262
Trade and other receivables	36,884	(668)	57,473	85,340
Total impairments	**(665)**	**1,955**	**31,223**	**87,207**
Total depreciation, amortisation and impairments				
Depreciation	108,927	101,731	107,228	99,109
Amortisation	32,574	32,864	32,532	32,821
Impairments	(665)	1,955	31,223	87,207
Total depreciation, amortisation and impairments	**140,836**	**136,550**	**170,983**	**219,137**

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016 (Restated)	2017	2016 (Restated)
	R '000	R '000	R '000	R '000

31. Operating loss

Operating loss for the year is stated after accounting for the following:

Operating lease charges				
Premises				
• Contractual amounts	320,632	350,394	318,837	335,455
Motor vehicles				
• Contractual amounts	91,081	100,309	83,424	92,553
Equipment				
• Contractual amounts	13,805	13,239	13,788	13,211
	425,518	**463,942**	**416,049**	**441,219**

Impairment (reversal) of investments in subsidiaries	-	605	(16,057)	605
Impairment on loans to group companies	(36,681)	757	(9,221)	-
Impairments (reversals) of trade and other receivables	36,884	(668)	57,473	85,340
(Profit) loss on exchange differences	(770)	-	(770)	-
Amortisation on intangible assets	32,574	32,864	32,532	32,821
Depreciation on property, plant and equipment	107,973	98,467	106,311	95,882
Depreciation on investment property	954	3,264	917	3,227
Employee costs	3,687,427	3,481,673	3,628,112	3,340,633
Transport	-	393,511	-	334,758

32. Interest and dividend income

Dividend revenue				
Unlisted financial assets - Local	1	6,170	-	6,166
Interest revenue				
Available-for-sale	24,189	2,004	24,189	2,004
Held-to-maturity	811,088	589,398	810,005	590,436
Trade and other payables discounting	(5,104)	(12,292)	(1,849)	(14,388)
Total interest revenue	**830,173**	**579,110**	**832,345**	**578,052**
Interest and dividend income	**830,174**	**585,280**	**832,345**	**584,218**

33. Fair value adjustments

Post-Retirement Medical Aid asset, and Provident Fund asset	77,849	14,745	77,849	14,745

The fair value gains and losses recognised in other financial assets are derived from financial assets subsequently measured at fair value through profit or loss and relate to the Post-Retirement Medical Aid Asset as well as the Provident Fund Asset. Refer to note 11 for more detail.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016 (Restated)	2017	2016 (Restated)
	R '000	R '000	R '000	R '000

34. Finance expense

Finance charges attributable to post-retirement employee benefits	672,771	548,894	672,771	548,146
Term loan interest	282,561	49,240	280,408	49,240
Interest paid (bank)	9,747	22,175	9,700	21,727
Postbank interest paid	96,793	67,711	96,793	67,711
Trade and other receivables discounting	(5,372)	14,603	(5,372)	14,603
Unwinding of site restoration provision	3,579	36,353	3,579	36,353
Total finance expense	**1,060,079**	**738,976**	**1,057,879**	**737,780**

35. Taxation

Major components of the tax expense (income)

Current				
Local income tax - current period	517	340	-	-
Local income tax - recognised in current tax for prior periods	-	-	-	-
	517	**340**	**-**	**-**
Deferred				
Originating and reversing temporary differences	394,303	501,756	371,394	493,529
Arising from previously unrecognised tax loss / tax credit / temporary difference	(298)	-	-	-
Benefit of unrecognised tax loss / tax credit / temporary difference used to reduce deferred tax expense	74	(74)	-	-
Derecognition of deferred tax asset that is no longer probable to be utilised	(374,999)	(502,156)	(371,394)	(493,529)
	19,080	**(474)**	**-**	**-**
	19,597	**(134)**	**-**	**-**

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	(0.15)%	(13.39)%	(15.49)%	(68.69)%
Disallowable charges	0.18 %	5.87 %	16.88 %	75.85 %
Prior year under/overprovision for deferred tax	- %	- %	- %	- %
Current tax relating to prior year	- %	- %	- %	- %
Subject to tax at reduced rate	58.22 %	- %	- %	- %
Net deferred tax not raised	(133.31)%	(22.47)%	(73.05)%	(32.92)%
Increase in tax rate	- %	- %	0.15 %	- %
Tax loss utilised	- %	0.02 %	- %	- %
Recognised in equity	44.91 %	0.37 %	43.51 %	(2.24)%
	(2.15)%	**(1.60)%**	**- %**	**- %**
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.	1,136,990	1,295,222	950,005	1,122,392

No provision has been made for 2017 tax as the group has no taxable income. The estimated tax loss available for set off against future taxable income is R 3,553,471,722 (2016: R2,265,071,484).

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016 (Restated)	2017	2016 (Restated)
	R '000	R '000	R '000	R '000

36. Other comprehensive income

Components of other comprehensive income - Group - 2017

	Gross	Tax	Net
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability			
Actuarial losses arising during the year	(122,453)	-	(122,453)
Asset Ceiling	76,095	-	76,095
	(46,358)	**-**	**(46,358)**
Movements on revaluation			
Gains (losses) on property revaluation	1,630,466	-	1,630,466
Items that may be reclassified to profit or loss			
Available-for-sale financial assets adjustments			
Gains arising during the year	10,795	-	10,795
Total other comprehensive income	**1,638,853**	**-**	**1,630,466**

Components of other comprehensive income - Group - 2016

	Gross	Tax	Net
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability			
Actuarial losses arising during the year	(141,086)	-	(141,086)
Asset ceiling	116,331	-	116,331
	(24,755)	**-**	**(24,755)**
Movements on revaluation			
Gains on first time recognition of heritage assets	24,306	-	24,306
Total items that will not be reclassified to profit or loss	**(449)**	**-**	**(449)**
Items that may be reclassified to profit or loss			
Available-for-sale financial assets adjustments			
Gains arising during the year	4,272	-	4,272
Total other comprehensive income	**3,823**	**-**	**3,823**

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016 (Restated)	2017	2016 (Restated)
	R '000	R '000	R '000	R '000

36. Other comprehensive income (continued)

Components of other comprehensive income - Company - 2017

	Gross	Tax	Net
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability			
Actuarial losses arising during the year	(122,453)	-	(122,453)
Asset ceiling	76,095	-	76,095
	(46,358)	**-**	**(46,358)**
Movements on revaluation			
Gains (losses) on property revaluation	1,558,859	-	1,558,859
Items that may be reclassified to profit or loss			
Available-for-sale financial assets adjustments			
Gains arising during the year	10,795	-	10,795
Total other comprehensive income	**1,569,654**	**-**	**-**

Components of other comprehensive income - Company - 2016

	Gross	Tax	Net
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability			
Actuarial losses for the year	(141,842)	-	(141,842)
Asset ceiling	116,331	-	116,331
	(25,511)	**-**	**(25,511)**
Movements on revaluation			
Gains on first time recognition of heritage assets	24,306	-	24,306
Total items that will not be reclassified to profit or loss	**(1,205)**	**-**	**(1,205)**
Items that may be reclassified to profit or loss			
Available-for-sale financial assets adjustments			
Gains arising during the year	4,272	-	4,272
Total other comprehensive income	**3,067**	**-**	**3,067**

No tax figures are disclosed in this note as they are disclosed as unrecognised deferred tax items. Refer to note 12.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016 (Restated)	2017	2016 (Restated)
	R '000	R '000	R '000	R '000

37. Auditors' remuneration

Fees	19,455	28,884	17,604	26,759

38. Cash used in operations

Loss before taxation	(958,616)	(1,111,738)	(947,163)	(1,084,525)
Adjustments for:				
Depreciation and amortisation	141,501	134,595	139,760	131,930
Foreign exchange movements	(2,595)	-	(2,595)	-
Assets written off	5,110	-	5,110	-
Dividends received	(1)	(6,170)	-	(6,166)
Interest income	(830,173)	(579,110)	(832,345)	(578,052)
Finance expense	1,060,079	738,976	1,057,879	737,780
Fair value adjustments	(77,849)	(14,745)	(77,849)	(14,745)
Impairment (reversals) loss	(665)	1,955	31,223	87,207
(Increase) decrease in operating lease assets and liability	9,908	(1,011)	-	(1,382)
Increase (decrease) in retirement benefit liabilities	(121,719)	(58,008)	(121,277)	(57,356)
Increase (decrease) in provisions	(207,573)	131,916	(190,662)	126,191
Impairment of debtors	-	62,600	-	61,423
Movement in deferred tax	-	(1,333)	-	-
Non-cash movement on reserves	-	174,001	-	174,001
Prior period adjustment taken to accumulated loss	630	18,579	669	16,259
Non cash increase/decrease on available for sale assets	-	(3,206)	-	(3,206)
Non cash increase/decrease on assets	6,398	23,074	-	23,499
Actuarial gain and loss	19,142	-	19,142	-
Fair value investment property	(131,667)	-	(123,047)	-
Changes in working capital:				
Inventories	(14,349)	11,800	(14,263)	13,002
Trade and other receivables	(38,708)	(127,368)	(59,326)	(247,135)
Prepayments	8,186	21,799	8,186	21,799
Trade and other payables	(605,263)	85,345	(622,793)	112,119
Deferred income	(34,958)	(10,362)	(36,106)	(8,526)
Deposits from the public	-	(18,028)	-	(18,028)
Government grants	266,126	-	266,126	-
	(1,507,056)	**(526,439)**	**(1,499,331)**	**(513,911)**

39. Tax refunded (paid)

Balance at the beginning of the year	(19)	(344)	-	-
Current tax for the year recognised in profit or loss	315	160	-	-
Interest accrued from payable to SARS	-	15	-	-
Sars refund	-	114	-	-
Balance at the end of the year	(142)	19	-	-
Tax (paid) refunded	**154**	**(36)**	**-**	**-**

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016 (Restated)	2017	2016 (Restated)
	R '000	R '000	R '000	R '000

40. 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:

Contracted for and authorised:				
Property, plant and equipment	4,799	21,915	4,799	21,915
Intangible assets	72,397	75,113	72,355	75,113
Total commitments	**77,197**	**97,029**	**77,134**	**97,029**

This committed expenditure will be financed by existing cash resources.

Capital commitments treatment

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

Operating leases – as lessee (expense)				
Minimum lease payments due - Buildings				
- within one year	245,901	132,732	243,943	131,132
- in second to fifth year inclusive	652,803	424,098	650,339	425,609
- later than five years	109,068	54,199	107,212	54,199
Total minimum lease payments due	**1,007,772**	**611,029**	**1,001,494**	**610,940**

None of the lease agreements contain any contingent rent clauses and it is assumed that there are no contingent rent payments. It is also assumed that there are no restrictions that would impose additional debts that are not covered in the minimum contract terms. Rental payments are based on a rate per square meter relating to the prevalent market rate at the inception of each contract. Escalation clauses vary from contract to contract averaging at 8% (2016: 8%). Contract renewal option is assumed to be exercised by the Company, unless decided otherwise by Management.

Minimum lease payments due - Vehicles				
- within one year	3,338	25,762	3,338	25,524
- in second to fifth year inclusive	-	995	-	995
Total minimum lease payments due	**3,338**	**26,757**	**3,338**	**26,519**

The group leases vehicles from Avis Fleet Services and Fleet Africa under Full Maintenance Lease (FML) agreements. The lease period ranges from two to five years at an interest rate of prime less 2.00% to prime plus 2.25% (2016: prime less 2.00% to prime plus 2.25%). The vehicles are being utilised for the delivery of parcels and mail.

Operating leases – as lessor (income)				
Minimum lease payments due - Buildings				
- within one year	12,004	11,513	11,542	11,769
- in second to fifth year inclusive	33,767	31,073	35,728	33,042
- later than five years	6,009	11,060	14,812	6,009
Total minimum lease payments due	**51,780**	**53,646**	**62,082**	**50,820**

Rental income has been based on a rate per square meter relating to the prevalent market rate at inception of each contract. Escalation clauses vary from contract to contract with an average of 7% (2016: 7%). Lease agreements are entered into for a minimum of two years to a maximum of three year period. Contract renewal option period is assumed to be exercised by the Company, unless decided otherwise by Management. None of the lease agreements contain any contingent rent clauses.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016 (Restated)	2017	2016 (Restated)
	R '000	R '000	R '000	R '000
Minimum lease payments due - Vehicles				
- within one year	-	237	-	-

Vehicles are leased The Courier and Freight Group (Pty) Ltd on a month to month basis (2016: period of 36 months) at amounts of R 392 939 per month with an interest cost of prime plus 1.00%.

41. Contingencies

The following contingent liabilities were identified:				
Bank guarantees	8,605	8,325	8,605	8,325
Guarantees in respect of employee housing loans	1,225	1,330	1,225	1,330
Service providers	73,249	73,249	44,466	44,466
Total contingencies	**83,079**	**82,904**	**54,296**	**54,121**

42. Related parties

Relationships	
Ultimate holding entity	The South African Government
Holding company	The South African Post Office (SOC) Limited
Subsidiaries	Refer to note 7
Members of key management	Refer to note 43
Shareholder with significant influence	The Department of Telecommunications and Postal Services
	National Treasury
Post employment benefit plan for employees	Old Mutual Corporate Limited
Directors' interest in contracts:	People Perfect (Pty) Ltd of Dr. S Lushaba
	T-Systems South Africa (Pty) Ltd of Ms. G Simelane

Inter group transactions and balances

Balances and transactions between the Company and its subsidiaries, which are related parties of SAPO, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

The balances with inter group companies are at arm's length.

Terms loans: Unsecured, interest free and no repayment date.

Terms receivales: Unsecured, interest at prime and no repayment date.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016 (Restated)	2017	2016 (Restated)
	R '000	R '000	R '000	R '000

42. Related parties (continued)

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.

In the current year and prior year, there were no individually significant transactions and balances.

	Group 2017	Group 2016 (Restated)	Company 2017	Company 2016 (Restated)
Related party balances				
Loans and long term receivables - Owing by related parties				
Sapos Properties (Bloemfontein) (Pty) Ltd	-	-	-	474
Sapos Properties (Erf 145018 Cape Town) (Pty) Ltd	-	-	-	1,670
Sapos Properties (East Rand) (Pty) Ltd	-	-	-	3,091
Sapos Properties (PE) (Pty) Ltd	-	-	-	202
Sapos Properties (Rossburgh) (Pty) Ltd	-	-	-	4,065
The Courier and Freight Group (Pty) Ltd	-	-	297,164	260,241
The Document Exchange (Pty) Ltd	-	-	-	537
Amounts included in trade receivables regarding related parties (inter group and inter-governmental)				
The Courier and Freight Group (Pty) Ltd	-	-	392,257	371,668
The Document Exchange (Pty) Ltd	-	-	-	537
Convertible loans from shareholder				
Department of Telecommunications and Postal Services	650,000	-	650,000	-
Related party transactions				
Grant subsidy				
Department of Telecommunications and Postal Services	266,126	-	266,126	-
Purchases from related parties				
People Perfect (Pty) Ltd of Dr. S Lushaba	459	178	459	178
Telkom SA Limited	170,618	3,906,502	170,618	3,901,779

The remuneration of directors and other members of key management amounted to R 23,121 million (2016: R 25,873 million). Refer to Note 43 to details on directors' and prescribed officers' emoluments

Notes to the Consolidated Financial Statements

43. Directors' and prescribed officers' emoluments

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

Executive

2017

		Emoluments	Other benefits	Total
		R'000	R'000 (1)	R'000
Mr M Barnes	2	4,240	-	4,240
Ms NJ Dewar	3	2,260	9	2,269
Total executive emoluments		**6,500**	**9**	**6,509**

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Appointed as Group CEO 15 January 2016. Also a director of The Courier and Freight Group and Document Exchange.
3. CFO: Postbank. Also acting Group CFO from 15 July 2015. Appointed as GCFO on 12 December 2016. Also a director of

The Courier and Freight Group and Document Exchange.

Retired implies retired, resigned or dismissed.

2016

		Emoluments	Other benefits	Leave Pay	Total
		R'000	R'000 (1)	R'000	R'000
Mr MA Barnes	2	538	-	-	538
Mr CJ Hlekane	3	1,574	-	471	2,045
Ms K Mzozoyana	4	2,199	21	301	2,521
Mr M Mathonsi	5	2,348	18	172	2,538
Mr NJ Dewar	6	1,337	7	-	1,344
Ms MR Maleka	7	530	-	-	530
Mr NST Ndlazi	8	261	2	-	263
Total executive emoluments		8,787	48	944	9,779

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Appointed as Group CEO 15 January 2016. Also a director of the Courier and Freight Group and Document Exchange.
3. Group CEO. Also a director of the Courier and Freight Group and Document Exchange. Retired 31 August 2015.
4. Group CFO. Also a director of the Courier and Freight Group and Document Exchange. Retired 10 February 2016.
5. Group COO. Acting MD: The Courier and Freight Group from 25 July 2014. Acting Group CEO from 3 October 2014. Retired 30 November 2015.
6. CFO: Postbank. Also acting Group CFO from 15 July 2015.
7. GM Treasury appointed 14 July 2014. Acting CFO from 11 March 2015, acting ended 16 July 2015.
8. GE Strategy and sustainability appointed 1 October 2015. Acting Group CEO from 1 November 2015.

Retired implies retired, resigned or dismissed.

Notes to the Consolidated Financial Statements

43. Directors' and prescribed officers' emoluments (continued)

Non-executive directors

2017

		Directors' fees	Total (1)
		R'000	**R'000**
Dr DSS Lushaba	2	206	206
Ms MLD Marole	3	84	84
Dr LM Molefi	4	293	293
Mr ZC Ngidi	5	333	333
Mr R Nkuna	6	180	180
Mr PE Rabohale	7	309	309
Ms NV Simamane	8	282	282
Mr ME Zakwe	9	480	480
Ms BP Soci	10	84	84
Mr K Matthews	11	113	113
Total non-executive emoluments		**2,364**	**2,364**

1. Emoluments include both directors' fees for meetings and annual / quarterly retainer fees. Travel and accommodation expenses for members outside the Gauteng province.
2. Retired 31 December 2016.
3. Chairperson of Document Exchange
4. Appointed as acting Chairperson of the Board from January 2017 and a director of Document Exchange
5. Retired 31 November 2016
6. Chairperson of the Courier and Freight Group.
7. Director of the Courier and Freight Group.
8. Retired 31 October 2016
9. Appointed 1 October 2016.

Retired implies resigned, retired or dismissed.

Notes to the Consolidated Financial Statements

43. Directors' and prescribed officers' emoluments (continued)

2016

		Directors' fees	Total (1)
		R'000	**R'000**
Dr DSS Lushaba	3	2,312	2,312
Mr JS Ngubane	4	169	169
Ms BP Soci	5	193	193
Ms LD Marole	6	164	164
Dr LM Molefi	7	134	134
Mr ZC Ngidi	8	177	177
Mr RD Nkuna	9	138	138
Mr PE Rabohale	10	244	244
Ms NV Simamane	11	196	196
Mr ME Zakwe	12	320	320
Total non-executive emoluments		**4,047**	**4,047**

1. Emoluments include both administrator fees, directors' fees for meetings and annual / quarterly retainer fees.
2. The group re-imburses travel and accommodation expenses for members outside the Gauteng province.
3. Appointed as Administrator 7 November 2014. Appointed as Chairperson of the Board 15 August 2015
4. Appointed 15 August 2015. Also the Chairperson of Document Exchange. Retired 29 February 2016.
5. Appointed 15 August 2015.
6. Appointed 15 August 2015.
7. Appointed 15 August 2015. Also a director of Document Exchange.
8. Appointed 15 August 2015.
9. Appointed 15 August 2015.
10. Appointed 15 August 2015. Also the chairperson of the Courier and Freight Group.
11. Appointed 15 August 2015.
12. Appointed 15 August 2015. Also a director of the Courier and Freight Group.

Retired implies resigned or retired.

Notes to the Consolidated Financial Statements

43. Directors' and prescribed officers' emoluments (continued)

Prescribed officers

2017

		Emoluments	Other benefits (1)	Total
		R'000	**R'000**	**R'000**
Mr CA Phillips	2	1,650	23	1,673
Ms AR Seafield	3	1,563	23	1,586
Mr DMM Mncwabe	4	2,255	23	2,278
Mr NST Ndlazi	5	1,602	9	1,611
Mr M Salojee	6	1,884	23	1,907
Mr NI Tolom	7	1,659	23	1,682
Mr AK Yabo	8	157	1	158
Mr S Adam	9	2,648	9	2,657
Mr JD Nieuwoudt	10	696	-	696
Total prescribed officers emoluments		**14,114**	**134**	**14,248**

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Chief Audit Executive.
3. GE: Human Capital Management.
4. Group CIO.
5. GE: Strategy and Sustainability. Also acting as Group CEO from 1 November 2015 to 14 January 2016.
6. GE: Governance and Regulation.
7. GE: Commercial. Appointed 1 November 2015.
8. Acting Group Company Secretary from 8 December 2015. Retired 31 May 2016.
9. Acting MD: Postbank.
10. Acting Group Company Secretary from 1 August 2016

Retired implies resigned, retired or dismissed.

Notes to the Consolidated Financial Statements

43. Directors' and prescribed officers' emoluments (continued)

2016

		Emoluments	Other benefits	Compen-sation for loss of office (Leave pay)	Total
		R'000	**R'000**	**R'000**	**R'000**
Mr CA Phillips	2	1,376	23	-	1,399
Mr B Tiribabi	3	96	3	34	133
Ms D Lume	4	609	-	-	609
Mr FS Mamotsau	5	1,056	23	-	1,079
Ms AR Seafield	6	1,360	23	-	1,383
Ms TN Mashanda	7	1,077	4	93	1,174
Mr DMM Mncwebe	8	1,003	12	-	1,015
Ms T Sihlaba	9	695	4	-	699
Mr NST Ndlazi	10	366	2	-	368
Mr M Salojee	11	590	8	-	598
Mr NI Tolom	12	519	8	-	527
Ms N Matanzima	13	169	-	9	178
Mr AK Yabo	14	219	2	-	221
Ms NJ Dewar	15	446	2	-	448
Mr S Adam	16	2,207	9	-	2,216
Total prescribed officers emoluments		**11,788**	**123**	**136**	**12,047**

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Chief Audit Executive.
3. Acting group CIO. Appointed 19 April 2013. Retired 3 April 2015
4. Manager: The Document Exchange
5. Acting MD: The Courier and Freight Group. Also acting MD: The Document Exchange from 27 October 2014. GM: Transport & Logistics from 1 October 2015
6. GE: Human Capital Management. Appointed 5 January 2015
7. GE: Bank Controlling. Appointed 15 November 2012. Retired 7 August 2015
8. Group CIO. Appointed 1 October 2015.
9. Acting Group Company Secretary from 13 May 2015. Acting ended 30 September 2015.
10. GE: Strategy and Sustainability. Appointed 1 October 2015. Also acting as Group CEO from 1 November 2015
11. GE: Governance and Regulation. Appointed 1 November 2015.
12. GE: Commercial. Appointed 1 November 2015
13. Group Company Secretary. Appointed 1 October 2015. Retired 30 November 2015.
14. Acting Group Company Secretary from 8 December 2015.
15. CFO: Postbank. Also acting Group CFO from 15 July 2015
16. Acting MD: Postbank

Retired implies resigned or retired.

Notes to the Consolidated Financial Statements

44. Risk management

Capital risk management

Capital risk refers to the risk that the group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business. The management of capital risk will ensure that opportunities can be acted on timeously while solvency is never threatened.

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings disclosed in notes 8, 22 & 24, cash and cash equivalents disclosed in note 16, and equity as disclosed in the statement of financial position.

The group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The group's exposure to capital risk arises from primarily the following:

- Funds which are being received from the shareholder may cease before completion of the projects that they are intended to be financed; and
- Funds received from the shareholder are specifically for certain identified projects.

Capital risk is managed in terms of certain guidelines agreed between the group and shareholder. The Group has complied with all 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 2017 and 2016 respectively were as follows:

		Group		Company	
		2017	2016	2017	2016
		R '000	R '000	R '000	R '000
Total borrowings					
Other financial liabilities	22	3,700,980	1,008,246	3,700,980	1,008,246
Bank overdraft	16	-	229,413	-	229,413
Deposits from public	24	5,031,988	4,820,012	5,031,988	4,820,012
		8,732,968	**6,057,671**	**8,732,968**	**6,057,671**
Less: Cash and cash equivalents	16	4,055,510	2,885,035	4,033,842	2,871,479
Net debt		4,677,458	3,172,636	4,699,126	3,186,192
Total equity		1,028,959	(241,932)	1,040,923	(189,416)
Total capital		**5,706,417**	**2,930,704**	**5,740,049**	**2,996,776**
Gearing ratio		82 %	108 %	82 %	106 %

Financial risk management

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:

Notes to the Consolidated Financial Statements

- 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; and
- The board's Audit and 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

Financial risk management objectives

The group's ALM function monitors and manages financial risks relating to the treasury operations of the group through internal risk reports which analyse the degree and magnitude of risks. These risks include fair value interest rate risk, currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The group seeks to minimise the effects of the negative impact of these risks by ensuring compliance with the treasury policy limits and benchmarks with regard to the following:

- Proposed money market investment strategies do not result in the breach of asset / liability mismatch gap limit;
- Ensuring that the net interest income volatility is within approved benchmark;
- Adequate overnight liquidity limit is complied with by having sufficient call balances;
- 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 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 R 25 million; and
- Instrument limits are set to avoid excess concentration in any given financial investment instrument or with any counter party.

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.

Valuation of unlisted shares in Gidani Management (Pty) Ltd

The group had previously owned an equity stake of 1125 shares in Uthingo Management (Pty) Ltd. The liquidation of Uthingo

Management (Pty) Ltd was finalised in the financial year ending 31 March 2010.

Subsequent to the liquidation of Uthingo Management (Pty) Ltd, the group had been allocated 100 ordinary shares in Gidani Management (Pty) Ltd, which represent 10% of Gidani shares. The shares were allocated to the South African Post Office (SOC) Limited by the Department of Trade and Industry on 28 July 2010.

The fair value of the South African Post Office (SOC) Limited's stake in Gidani was determined by management to be zero. The discounted cash flow model was used in the determination of the fair value of the South African Post Office (SOC) Limited's shareholding in Gidani.

Notes to the Consolidated Financial Statements

44. Risk management (continued)

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 R 250 million and maintaining overdraft credit facilities with major banks. The group's ALM function monitors the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities of the banking division.

At year-end, the group had overnight call balances of R 1,271 billion (2016: R 139,107 million) and R 270 million (2016: R 270 million) in overdraft / credit facilities with major banks. R 0 overdraft facility was utilised at year-end (2016: R 229,413 million).

The tables below detail the Group's remaining contractual maturity for its financial liabilities and financial assets. The figures have been compiled based on the undiscounted cash flows of financial liabilities and financial assets based on the earliest date on which the Group can be required to recognise financial assets and settle financial liabilities.

Contractual maturity analysis for financial liabilities and financial assets.

The liquidity risk table below shows the contractual maturity gap at period end.

Notes to the Consolidated Financial Statements

44. Risk management (continued)

Group

2017	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and bank balances	3,003,145	995,410	-	-	-	3,998,555
Investments	-	836,246	4,169,842	-	103,388	5,109,476
Other financial assets	193,977	99,081	45,473	421,887	408,103	1,168,521
Trade and other receivables	-	413,800	-	-	-	413,800
Deposits from the public	(5,031,988)	-	-	-	-	(5,031,988)
Funds collected on behalf of third parties	(83,361)	-	-	-	-	(83,361)
Trade and other payables	-	(887,551)	-	-	-	(887,551)
Other financial liabilities	(980)	(89,216)	(267,649)	(4,939,232)	-	(5,297,077)
	(1,919,207)	**1,367,770**	**3,947,666**	**(4,517,345)**	**511,491**	**(609,625)**

2016	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and bank balances	1,986,868	1,100,490	-	-	-	3,087,358
Investments	-	-	1,764,040	2,616,860	93,947	4,474,847
Other financial assets	207,037	73,854	173,768	375,179	286,445	1,116,283
Trade and other receivables	-	411,976	-	-	-	411,976
Deposits from the public	(4,695,319)	(28,299)	(84,897)	(11,711)	-	(4,820,226)
Funds collected on behalf of third parties	(105,892)	-	-	-	-	(105,892)
Trade and other payables	-	(1,247,177)	(245,637)	-	-	(1,492,814)
Other financial liabilities	-	-	(1,008,246)	-	-	(1,008,246)
Bank overdraft	(229,413)	-	-	-	-	(229,413)
	(2,836,719)	**310,844**	**599,028**	**2,980,328**	**380,392**	**1,433,873**

Notes to the Consolidated Financial Statements

44. Risk management (continued)

Company

2017	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and bank balances	2,982,318	995,410	-	-	-	3,977,728
Investments	-	836,246	4,169,842	-	103,388	5,109,476
Other financial assets	193,977	99,081	45,473	421,887	408,103	1,168,521
Trade and other receivables	-	395,774	-	-	-	395,774
Deposits from the public	(5,031,988)	-	-	-	-	(5,031,988)
Funds collected on behalf of third parties	(83,361)	-	-	-	-	(83,361)
Trade and other payables	-	(800,691)	-	-	-	(800,691)
Other financial liabilities	(980)	(89,216)	(267,649)	(4,939,232)	-	(5,297,077)
	(1,940,034)	**1,436,604**	**3,947,666**	**(4,517,345)**	**511,491**	**(561,618)**

2016	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and cash equivalents	1,973,311	1,100,490	-	-	-	3,073,801
Investments	-	1,764,040	2,616,860	-	93,947	4,474,847
Other financial assets	207,037	73,854	173,768	375,179	286,445	1,116,283
Trade and other receivables	-	393,921	-	-	-	393,921
Deposits from the public	(4,695,319)	(28,299)	(84,897)	(11,711)	-	(4,820,226)
Funds collected on behalf of third parties	(105,892)	-	-	-	-	(105,892)
Trade and other payables	-	(1,423,484)	-	-	-	(1,423,484)
Other financial liabilities	-	(1,008,246)	-	-	-	(1,008,246)
Bank overdraft	(229,413)	-	-	-	-	(229,413)
	(2,850,276)	**872,276**	**2,705,731**	**363,468**	**380,392**	**1,471,591**

Market risk

Market risk is the potential negative impact on earnings resulting from unfavourable changes in exchange rates, interest rates, prices and other market volatilities i.e. the risk that the fair value or future cash flows of financial instruments will fluctuate.

The group's exposure to market risk arises primarily from its activities in four main areas:

- Interest rate risk in the group's portfolio as a result of the financial assets and financial liabilities re-pricing mismatch in line with the asset and liability committee view of the interest rates;
- Repricing risk is the risk of adverse impact on the group's interest return from mismatched financial assets and liabilities;
- Investment risk is the risk of falling interest rates at the time of the investment or re-investment of the group's surplus cash or the risk of the cash reserves maturing being re-invested at lower rates than expected;
- Foreign exchange risk arising from the group's exposure to international postal services and products as well as the import of capital goods sourced offshore; and
- Systemic risk is the risk that events either globally or locally threaten the ongoing financial soundness of financial markets.

Market risk is quantified by performing sensitivity analyses on both interest and exchange rates. For interest rate risk, the policy stipulates that a 1% point adverse shift in the yield curve should not result in an 8% reduction in the projected income in the money market portfolio return over a 12 months horizon. This is done for both the held to maturity portfolio where cash flow interest sensitivity is measured and the available for sale portfolio in respect of fair value sensitivity analysis.

The group's exposure to currency risk is also evaluated by the exchange rate sensitivity analysis. The group only enters into a foreign exchange forward cover agreement where the foreign exposure is greater than R 1 million and a 1% point adverse move in the exchange rate result in a projected loss of R 0,5 million over a one day horizon.

Notes to the Consolidated Financial Statements

It is the responsibility of the group's ALM function to monitor compliance with risk limits and all breaches are discussed at the monthly ALCO meetings.

Interest rate risk

Interest rate risk is the risk that the group's earnings or economic value of the financial assets will decline as a result of changes in the interest rates. The group's exposure to interest rate risk arises primarily from the following:

- Re-pricing risk (mismatch risk) - timing differences in the maturity and re-pricing of financial assets and financial liabilities; and
- Investment risk on the group's surplus operational cash reserves arising from adverse movements in the interest rates.

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

Appropriate interest rate risk dashboard indicators are compiled to provide the ALCO members with the necessary interest rate risk information on a monthly basis, including a measure of compliance with approved limits and benchmarks.

Cash flow interest rate risk

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

Increase (decrease)				
1% increase in interest rates	40,710	37,057	40,710	37,057
1% decrease in interest rates	(41,256)	(37,469)	(41,256)	(37,469)

Fair value interest rate risk

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

Increase (decrease)				
1% increase in interest rates	(10,028)	(9,823)	(10,028)	(9,823)
1% decrease in interest rates	10,142	9,937	10,142	9,937

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in the financial loss to the group.

The group's exposure to credit risk arises primarily from credit sales to its clients and money market investment activities. Financial instruments that give rise to credit risk include cash and cash equivalents, Held to Maturity investments; trade receivables, and certain debt instruments classified as "Available for sale". Credit risk is managed in terms of the board approved group treasury risk policy, which in turn encompasses comprehensive credit procedures, limits and governance structure. Formal credit ratings are utilised in the credit evaluation process of the counterparties.

The minimum credit ratings for investment 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's credit exposure is diversified across a range of acceptable counterparties and the maximum investment with any counterparty is limited to 25% of total investments. All counterparty limits are reviewed in line with balance sheet growth and at least on an annual basis.

It is the responsibility of the group ALM function to monitor compliance with the approved counterparty credit limits and any breach is reported to the monthly ALCO meeting.

The carrying amounts of financial assets recorded in the annual financial statements represents the group's maximum exposure to credit risk (. The group is further exposed to the credit risk as a result of the housing guarantees that it issues on behalf of a certain category of its employees. At year-end the maximum amount the group could have to pay if the guarantees are called on amounts to R 1,225 million, (2016: R 1,330 million).

All financial assets except for those that are measured at fair value through profit or loss are assessed to determine any evidence of impairment. Any deterioration in any counterparty credit rating is regarded as evidence of impairment. During the course of the year, there was no evidence of impairment observed in held to maturity financial assets and available for sale assets held by the group.

Notes to the Consolidated Financial Statements

The group credit risk is considered to be limited because all its investment counterparties are major banks with high credit ratings and other investments are in Government and liquid corporate paper. The credit risk profile and quality of the group's investment counterparties is considered to be sound, well managed and commensurate with the risk appetite of the board.

No collateral is held for available for financial assets held by SAPO.

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

Loan interest rate risk				
1% increase in interest rates	(36,000)	(10,000)	(36,000)	(10,000)
1% decrease in interest rates	36,000	10,000	36,000	10,000
	-	-	-	-

Foreign exchange risk

Foreign exchange risk is the risk of the decline in the earnings or realisable value in the net financial asset position of the group arising from adverse movements in foreign exchange rates. The group is exposed to foreign exchange risk as a result of exposures that arise from rendering of international postal services and products as well as capital imports that are sourced offshore.

The group manages the foreign currency exposures relating to international postal services through the utilisation of Universal Postal Union (UPU) approved netting agreements between South Africa and debtor and creditor countries. In the event where the exposure after netting exceeds the limit specified below, a forward foreign exchange contract is taken to hedge the foreign exchange risk.

The group has a policy that manages foreign exchange risk arising from capital imports sourced offshore by utilisation of forward foreign exchange contracts as documented in the board approved treasury policy. The treasury policy stipulates the following in respect of utilisation of forward cover:

- No forward cover is required where the currency exposure is less than R1 million in value and a 1% adverse exchange rate move does not result in a R 0,5 million currency loss.
- Forward cover is taken where the exposure in respect of a specific foreign currency commitment is more than
- R 1 million and 1% adverse move in the exchange rate results in the group experiencing a loss of more than R 0,5 million. Actions taken in managing foreign exchange risk at the group ALCO meetings are reported to the group Risk Committee of the board on a quarterly basis.

At year-end, the group was exposed to the following foreign currency denominated financial assets and financial liabilities for which no forward cover had been taken out:

Foreign currency exposure at the end of the reporting period				
Financial assets				
Euro	5	4	5	4
Great Britain Pounds	9	9	9	9
Special Drawing Rights	9,316	7,737	9,316	7,737
United States Dollar	111	2	111	2
Financial liabilities				
Euro	655	2,782	-	2,782
Special Drawing Rights	10,688	9,770	10,688	9,770
New Zealand Dollar	70	45	70	45
Swiss Franc	3	43	3	43
United States Dollars	1,775	589	1,775	589
Zambian Kwacha	-	12	-	12

At year-end, the group's net income at risk from foreign exposure arose from the net asset currency position. A depreciation of 1% in the exchange rate would result in R 0,563 million foreign currency gain for the group (2016: R 0,975 million) currency gain).

Notes to the Consolidated Financial Statements

Price risk

The table below reflects the impact on the group's income for a given 1% up and downward shift in market rates at period end:

Increase (decrease)				
1% increase in interest rates	(7,499)	(7,455)	(7,499)	(7,455)
1% decrease in interest rates	8,123	8,310	8,123	8,310

Method and assumptions: Sensitivity analyses of financial assets and liabilities

(i) Fair value interest sensitivity

On Government and corporate bonds classified as available for sale assets, the group determines fair value interest sensitivity using quoted yield to maturity rates for specific Government and corporate bonds held by the group. The group calculates the fair value interest sensitivity for a one day horizon and is measured for a 1% parallel shift in the rates. For fair value sensitivity the group treasury policy stipulates that a 1% adverse change in the rates should not result in a 0.75% capital loss in the portfolio over a one day period.

(ii) Cash flow interest sensitivity

The group calculates the cash flow interest sensitivity to determine interest at risk on held to maturity financial assets and financial liabilities at amortised cost. The cash flow interest sensitivity includes all variable interest bearing financial assets and liabilities included in these categories. The sensitivity is calculated by interpolating along the Jibar and FRA quoted rates. The interpolation is performed to coincide with the maturities and re-investments of the principal cash flows. The calculation of the cash flow interest sensitivity analysis is in line with the group's investment strategy. The cash flow sensitivity is measured for a 1% parallel shift in the rates.

(iii) Equity risk sensitivity

At year-end, the group had unlisted shares in Gidani Management (Pty) Ltd. The discounted cash flow model was used to determine the fair value of the shares. The equity risk in the shares was considered to be minimal as the equity holding wasn't exposed to the volatility of the stock market. On listed shares, the equity price risk is measured for 1% change in the share prices.

(iv) Fair value of financial assets and financial liabilities recorded at amortised cost

The directors consider the carrying amount of financial assets and financial liabilities recorded at amortised cost and having a duration that is less or equal to twelve months as approximating their fair value. At year-end there were no financial assets and financial liabilities having a duration greater than twelve months that were carried at amortised cost.

(v) Fair value measurements recognised in the statement of financial position

For an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3, based on the degree to which the fair value is observable, see note 9.

Notes to the Consolidated Financial Statements

45. Going concern

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

The Department of Telecommunications and Postal Services allocated R650 million in the 2017 financial year for the capitalisation of SAPO. The Government has issued SAPO with a Government guarantee of R4,17 billion and R3,7 billion utilised to acquire external funding. SAPO has been tasked with managing the distribution of set-top boxes and antennae for the broadcasting digital migration project, and was allocated R240 million in the 2017 financial year, with a further allocation of R240 million in the 2018 financial year.

For the year ended 31 March 2017 the Group generated a net loss of R974 million (2016:R1,1 billion). The organization has been experiencing cash constraints and has not had sufficient working capital. The cause of the deterioration of the Group's liquidity position is both due to internal and external factors, such as the migration of customers towards digital communication, general decline in the mail business volumes and revenue as well as an inappropriate and inefficient business model. This has resulted in the Group not generating sufficient revenue to finance its high cost base and thus a material uncertainty of the entity's ability to continue as a going concern for the foreseeable future. SAPO is arranging an additional working capital facility of R 400 million, and is assessing the extent of surplus capital in the Postbank Division that should be retained at Group level. In addition, several significant revenue initiatives are beginning to bear fruit, with contracts in progress.

The South African Postbank SOC Limited legal entity submitted their section 16 application for registration as a bank to the Banking Supervision Department of the South African Reserve Bank in June 2017. The timing of transfer of assets and liabilities from the Postbank Division of SAPO to the new SA Postbank SOC Limited entity is uncertain. SAPO has applied to its shareholder for an equity injection to ensure that the ultimate holding company is not technically insolvent as a result of the transfer.

The Board has also approved implementation of revenue upliftment initiatives that will see a further R768 million improvement in cash-flows within the 2017/2018 financial year.

The company's financial position is stronger, with the carrying value of total assets exceeding the total carrying value of liabilities by R 1 billion. The directors believe that the company has adequate financial resources and government support to continue in operation for the foreseeable future, and accordingly, the annual financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

46. Fruitless and wasteful expenditure

	Group 2017 R '000	Group 2016 R '000	Company 2017 R '000	Company 2016 R '000
Opening balance under investigation	98,148	91,072	90,445	83,395
Add: Fruitless and wasteful expenditure - current year	26,976	7,076	20,967	7,050
Add: Fruitless and wasteful expenditure - prior year	175,470	-	173,395	-
Less: Amounts condoned - current year	(7,050)	-	(7,050)	-
Less: Amounts condoned - prior year	(24)	-	(24)	-
Less: Amounts recovered (not condoned)	-	-	-	-
Less: Amounts recoverable (not condoned)	-	-	-	-
Total fruitless and wasteful expenditure awaiting condonation	**293,520**	**98,148**	**277,733**	**90,445**
Analysis of awaiting condonation per age classification				
Current year	26,976	-	20,967	-
Prior years	266,544	98,148	256,766	90,445
Total current fruitless and wasteful expenditure - current year	**293,520**	**98,148**	**277,733**	**90,445**

Fruitless and wasteful expenditure to the amount of R 26,976 million incurred relates to fines, penalties, legal fees due to creditors not being paid as a result of SAPO's financial constraints during the previous financial year.

Expenditure to the amount of R 175,470 million for the previous financial year of which R147,6 million relates mainly to the items identified from investigations and management reviews for completeness.

47. Material losses due to criminal conduct

	Group 2017 R '000	Group 2016 R '000	Company 2017 R '000	Company 2016 R '000
Fraud and theft	14,579	10,896	14,579	10,896

The South African Post Office considers losses of R 32 million and above to be material. Although not material, the above losses relate to criminal conduct.

Notes to the Consolidated Financial Statements

48. Irregular expenditure

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
Opening balance under investigation	479,717	684,253	413,343	538,765
Add: Current period irregular expenditure	308,940	151,428	297,219	127,095
Add: Prior year irregular expenditure	424,814	2,829	421,577	-
Less: Amounts condoned - current year	(96,619)	(147,808)	(81,761)	(147,808)
Less: Amounts condoned - prior year	(75,056)	(210,985)	(67,493)	(104,709)
Less: Amounts condoned - prior year	(95,077)	-	(85,811)	-
Less: Amounts recoverable (not condoned)	-	-	-	-
Less: Amounts not recoverable (not condoned)	-	-	-	-
Irregular expenditure awaiting condonation	**946,719**	**479,717**	**897,074**	**413,343**
Analysis of awaiting condonation per age classification				
Current period	308,940	151,428	297,219	127,095
Prior years	637,779	328,289	599,855	286,246
Total irregular expenditure awaiting condonation	**946,719**	**479,717**	**897,074**	**413,341**

Irregular expenditure

All irregular expenditure incurred in the 2016/17 financial year was legitimate business expenditure required in terms of commodities or services procured.

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

- the PFMA Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or
- any provincial legislation providing for procurement procedures in that Provincial Government.

Categories of irregular expenditure include:

- Irregular expenditure incurred as a result of non-compliance with a Treasury Regulation which required cognisance to be taken of a National Treasury determination. For example, a department, trading entity, constitutional institution or public entity procured goods or services by means of price quotations where the value of the purchase exceeded the threshold values determined by the National Treasury for price quotations;
- Irregular expenditure incurred as a result of institutions procuring goods or services by means other than through competitive bids and where reasons for deviating from inviting competitive bids have not been recorded and approved by the accounting officer or accounting authority; and
- Irregular expenditure incurred as a result of non-compliance with a requirement of the institution's delegation of authority framework issued in terms of the PFMA.

The South African Post Office (SOC) Limited started reporting on irregular expenditure in the 2011 financial year in accordance with the PFMA requirement and continued accordingly. The South African Post Office (SOC) Limited is addressing the root causes resulting in irregular expenditure and it should also be noted that a total solution will only be achieved in the medium term due to the interventions considered and currently being implemented.

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

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

48. Irregular expenditure (continued)

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 Public Finance Management Act (PFMA) and related regulations.

Irregular expenditure relating to the 2016 financial year has been identified by the Auditor General. The breakdown of the R424,814 million is as follows:

Irregular expenditure identified in 2016	Amount
SIU Report	R 195,296
AG Findings	R 216,500
Non-compliance to procurement procedures	R 13,017

An amount of R 273,369 million (2016: R 231,357 million) of the total amount of R 956,079 million, concerns a particular contract where an investigation was initiated and where the results are pending in order to determine third party liability or not. These amounts cannot be condoned until the investigation has been concluded.

The amount of R 308,940 million (2016: R 430,834 million) relates to "irregular expenditure awaiting condonation" for SAPO Group.

Included in the group is an amount of R 8,616 million (2016: R 3,328 million) that relates to "irregular expenditure awaiting condonation" for CFG.

Included in the group is an amount of R 3,105 million that relates to "irregular expenditure awaiting condonation" for Docex.

49. Deregistered Entities

The following dormant subsidiary entity which has never been consolidated was deregistered in the prior financial year and the accumulated losses were as follows:

Subsidiary company				
The Courier and Freight Group Botswana (Pty) Ltd	-	3,560	-	-

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

50. Comparative figures and prior period errors

Certain comparative figures have been restated.

The provision on site restoration was erroneously calculated in the previous year and as a result the site restoration asset and finance costs attributable to the site restoration provision were also misstated.

In order to improve the accuracy of revenue, certain items were reclassified from other income to revenue. The fair value of heritage assets, which had not been fully determined in the prior has recognised.

The effects of the reclassifications and corrections are as follows:

Statement of Financial Position	**2016**	**2015**	**2016**	**2015**
Property, plant and equipment	(76,169)	(105,841)	(76,469)	(103,480)
Investment property	2,302	2,361	-	-
Heritage assets	24,282	-	24,282	-
Operating lease asset	523	-	-	-
Deferred tax	727	-	-	-
Trade and other receivables	1,997	355	211	318
Current tax receivable	(54)	-	-	-
Accumulated profit/loss	127,440	131,176	126,218	72,329
Deferred tax	(159)	-	-	-
Provisions	(46,692)	(21,679)	(52,173)	(22,737)
Trade and other payables	(6,095)	1,926	-	-
Current tax payable	(409)	-	-	-
Deposits from the public	(214)	(318)	(214)	(318)
Profit or Loss				
Revenue	(54,085)	(39,699)	(50,557)	(38,540)
Other income	51,912	39,699	50,557	38,540
Operating expenses	(7,523)	-	(4,232)	-
Transport costs	928	-	928	-
Total depreciation, amortisation and impairments	(30,585)	6,216	(30,600)	6,216
Finance charge	36,384	20,843	36,353	20,843
Income tax expense	(204)	-	-	-
Change in OCI	(24,306)	(35,038)	(24,306)	26,831

Notes to the Consolidated Financial Statements

51. Change in estimate

Property, plant and equipment

The useful life and residual value of buildings has been revised during the current year. The effect of this revision has decreased the depreciation charges for the current year period by R 35,718.

The impact on tax is a decrease of (2017: R10,000)

The useful life and residual value of certain leasehold improvements has been revised during the current year. The effect of this revision has decreased the depreciation charges for the current year period R 3,744.

The impact on tax is a decrease of (2017: R1,048)

The useful life and residual value of certain machinery and equipment has been revised during the current year. The effect of this revision has decreased the depreciation charges for the current year period by R 724,544.

The impact on tax is a decrease of (2017: R 202,872)

The useful life and residual value of certain data processing equipment has been revised during the current year. The effect of this revision has decreased the depreciation charges for the current year period by R 332,118.

The impact on tax is a decrease of (2017: R92,993)

The useful life and residual value of certain furniture and fittings has been revised during the current year. The effect of this revision has decreased the depreciation charges for the current year period by R 5.

The impact on tax is a decrease of (2017: R 1)

Investment properties

The useful life and residual value of certain investment properties has been revised during the current year. The effect of this revision has decreased the depreciation charges for the current period by R6 million.

The impact on tax is an increase of R2 million.

52. Subsequent events and other significant events

Management is not aware of any significant events subsequent to the reporting date.

Notes to the Consolidated Financial Statements

		Group		Company	
		2017	2016	2017	2016
		R '000	R '000	R '000	R '000

53. Fair value information (property, plant and equipment, and investment property)

Fair value hierarchy

The table below analyses property, plant and equipment, and investment property 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.

	Note(s)	Group 2017 R '000	Group 2016 R '000	Company 2017 R '000	Company 2016 R '000
Levels of fair value measurements					
Level 3					
Recurring fair value measurements					
Assets	**Note(s)**				
Investment property					
Investment property: Land and buildings	4	173,581	-	161,534	-
Property, plant and equipment	3				
Land		680,618	-	625,530	-
Buildings		1,621,287	-	1,600,273	-
Total property, plant and equipment		**2,301,905**	**-**	**2,225,803**	**-**
Total		**2,475,486**	**-**	**2,387,337**	**-**

Valuation techniques used to derive level 3 fair values

The fair values for land and buildings were derived using different valuation techniques. For land, the valuation technique was based on selling prices. The valuation of buildings was determined using the income approach. Both techniques are considered to be the highest and best use for the land and buildings.

Due to change in accounting policy, revaluations on land and buildings were recognised in lever 3 for the first time. Refer to note 3 and 4.

Valuation processes applied by the Group

The fair value of all land and buildings of property plant and equipment and investment properties are determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation is done every five years.

Notes to the Consolidated Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

54. Changes in accounting policy

During the year SAPO changed its accounting policy regarding the valuation of land and buildings, and investment property from cost model to fair value model in order to achieve a fairer presentation.

A fairer presentation will be achieved due to the fact that the carrying values will be shown at more recent and relevant values.

The change in accounting policy has been accounted for prospectively as it was impractical for management to account for the change retrospectively due to the fact that properties were only valued in the current year and no reliable value could be obtained for the prior year.

55. Government grants

	Group 2017	Group 2016	Company 2017	Company 2016
Current liabilities				
Unutilised grants	266,126	-	266,126	-
Subsidy received				
Current period - address roll out	50,240	-	50,240	-
Current period - digital terestrial television	240,000	-	240,000	-
USO post offices	-	56,888	-	56,888
Interest received	11,530	-	11,530	-
Subsidy utilised				
Universal service obligation	-	(56,888)	-	(56,888)
VAT	(35,644)	-	(35,644)	-
	266,126	**-**	**266,126**	**-**

SAPO has been allocated R240 million to fund the distribution of the set-top boxes and antenna's for the Broadcasting Digital Migration Project and R50,2 million to fund the roll-out of postal address in the 2016/17 financial year. Interest received on these funds is capitalised.

The Government provided the South African Post Office with a subsidy to cover a portion of its operating expenditure for the Universal Service Obligation (USO) post offices in 2015/16 financial year.

Detailed Income Statement

		Group		Company	
		2017	2016	2017	2016
	Note(s)	R '000	R '000	R '000	R '000
Revenue					
Agency and money transfer services		489,105	454,896	489,105	454,896
Courier services		130,342	226,418	91,365	122,189
Postal		3,209,162	3,378,175	3,173,715	3,342,611
Postbank interest revenue		433,590	380,827	433,590	380,827
Postbank net fee and commission revenue		211,392	217,331	211,392	217,331
Retail products		16,670	22,388	16,670	22,388
Services Rendered - Rental Income		48,398	53,342	46,073	49,814
Total revenue	28	**4,538,659**	**4,733,377**	**4,461,910**	**4,590,056**
Cost of sales		-	-	-	-
Other income					
Commissions received		1,842	1,889	1,842	1,889
Dividends received	32	1	6,170	-	6,166
Fees earned		6,188	342	6,188	342
Interest received	32	830,173	579,110	832,345	578,052
Other income		45,826	17,761	31,253	12,214
Profit on exchange differences		770	-	770	-
Recoveries		35,444	64,607	33,715	110,925
Fair value adjustments	33	77,849	14,745	77,849	14,745
Skills development levy refund		137,663	3,496	128,748	3,495
Total other income		**1,135,756**	**688,120**	**1,112,710**	**727,828**
Expenses (Refer to page 138)		**(5,572,952)**	**(5,794,259)**	**(5,463,904)**	**(5,664,629)**
Loss before Interest and Taxation	31	**101,463**	**(372,762)**	**110,716**	**(346,745)**
Finance expense	34	(1,060,079)	(738,976)	(1,057,879)	(737,780)
Loss before taxation		**(958,616)**	**(1,111,738)**	**(947,163)**	**(1,084,525)**
Taxation	35	(19,597)	134	-	-
Loss for the year		**(978,213)**	**(1,111,604)**	**(947,163)**	**(1,084,525)**

Detailed Income Statement

		Group		Company	
		2017	2016	2017	2016
	Note(s)	R '000	R '000	R '000	R '000
Expenses					
Administration and management fees		1,611	427	-	35,972
Advertising		17,832	14,637	17,806	14,642
Assessment rates & municipal charges		210,604	224,493	208,473	220,614
Auditors remuneration	37	19,455	28,884	17,604	26,759
Bad debts		(9,477)	62,600	(6,145)	61,423
Bank charges		87,951	86,237	87,536	85,769
Cleaning		89	761	-	-
Commission paid		1,656	801	1,656	801
Consulting and professional fees		197,587	213,364	194,276	207,638
Consumables		45,921	40,803	45,802	41,697
Delivery expenses		68,569	84,351	65,728	77,442
Depreciation, amortisation and impairments		140,836	136,550	170,983	219,137
Ex gratia		179	400	171	400
Employee costs		3,687,427	3,481,673	3,628,112	3,340,633
Entertainment		15	6	14	3
Fines and penalties		(102,937)	149,107	(103,141)	148,984
General expenses		32,098	30,424	2,467	30,253
IT fees		131,684	113,100	131,672	113,098
Insurance		55,444	48,744	57,111	45,989
International terminal fees		91,869	77,757	91,869	77,757
Legal expenses		29,894	22,404	25,798	21,382
Lease expenses		425,518	463,942	416,049	441,219
Magazines, books and periodicals		157	502	157	502
Other staff related costs		22,737	17,449	22,732	17,305
Petrol and oil		56,353	71,002	54,748	60,527
Printing and stationery		17,065	19,244	16,798	18,981
Promotions		7	180	-	180
Repairs and maintenance		47,918	69,138	46,452	66,466
Research and development costs		(183)	(584)	(183)	(584)
Risk expenses		905	5,882	905	5,882
Royalties and license fees		15,862	16,176	15,862	16,176
Security		1,230	374	1,109	233
Staff welfare		65	43	28	3
Storage fees		2,173	1,567	2,173	1,567
Telephone and fax		124,889	133,130	120,379	127,245
Training		975	2,120	975	2,120
Transport and freight		129,330	159,407	109,223	119,961
Travel - local		13,403	14,494	12,523	13,900
Travel - overseas		6,241	2,670	6,182	2,553
Total expenses		**5,572,952**	**5,794,259**	**5,463,904**	**5,664,629**

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