ANNUAL REPORT 2023

SOUTH AFRICAN POST OFFICE SOC LTD

Post Office South Africa

Overview for the Year

Financial

- Provisional liquidation of the SA Post Office
- Increased creditor liabilities
- Revenue budget not achieved at R2.7 billion
- Expense budget achieved at R5.2 billion
- Net loss of R2.2 billion
- Disclaimer of opinion issued by the Auditor General

Operational

- Continued load shedding has affected operational performance and revenue generation
- Decline in mail delivery performance to 51.62%
- Continued decline in mail volumes
- Reduction in vehicle fleet to 88 vehicles
- Increase of mail carryover items from 3.27 million to 5.26 million items
- Decline of CN22 international parcels from 2.9 billion to 685 million
- Decreasing branch profitability from 303 branches to 184 branches
- Forcible closure of 64 branches by landlords due to non-payment of rental
- Closure of 58 branches under the distribution network optimisation programme
- Selling of 36 non-core properties
- Geo-referencing of 306 000 addresses
- Increase of reported crime related incidents from 3 534 to 4 186 incidents
- Increase in reported crime related loss from R117.5 million to R138 million
- Continued contribution to the Nal'ibali programme to deliver reading material to schools and reading clubs
- Issuing of the Road to Democracy stamp

Strategy

- Post Office of Tomorrow strategy has remained unfunded
- Implementation of critical modernisation and digitalisation programmes could not proceed

Information Technology

- Instability of Datacentre
- Development of the electronic eRegistered mail system
- Implementation of the UPU International Parcels System

Human Resources

- Reduction of headcount to 12 640 employees
- Training of 4 871 employees
- Introduction of VSP programme
- Commencement of Section 189 process, however placed on hold
- No annual salary increases were implemented
- Continuation of the process to ensure proper management of the Post-Retirement Medical Aid subsidy
- Filling of executive positions - Chief Financial Officer, Group Executive Human Resources

Government

- Cession of SASSA contract to Postbank from October 2022
- Cessation of SRD grant payments in May 2022
- Ministerial introduction of South African Post Office SOC Amendment Bill in the National Assembly
- Registration of 403 092 qualifying needy households registered for the BDM programme
- Issuing of 422 245 STB kits for the BDM programme

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

History of SA Post Office

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

1792

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

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

1815-1886

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

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

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

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

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

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

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

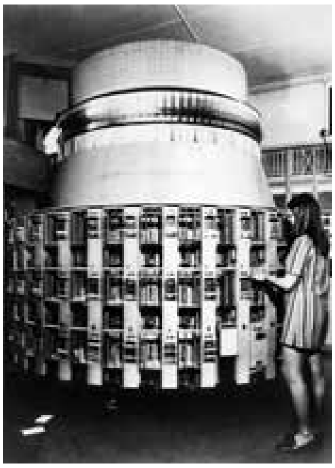
1900-1945

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

1 October 1977 mail was transported only by container ships and aeroplanes.

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

1963-1968



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

1994/95

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

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

1995/96

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

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

1996/97

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

2002/03

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

2003/04

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

2004/05

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

2005/06

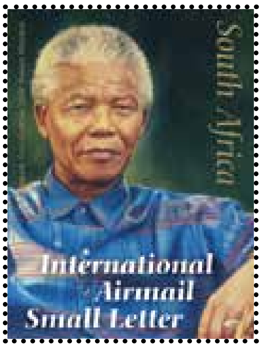
Postbank, the SA Post Office's banking division, took the lead with Mzansi accounts. This is attributed to Postbank's unrivalled coverage – every Post Office branch is a Postbank. Mzansi accounts were designed especially for the unbanked.

2006/07

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

2007/08

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



2008/09

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

2009/10

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

2010/11

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

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

2012

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

2013

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

2014/15

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

2016

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

2017

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

2018

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

2019

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

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

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

2020

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

2021

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

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

2022

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

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

2023

The SA Post Office adopts the Post Office of Tomorrow strategy as foundation for its corporate strategy, aimed at turning the organisation into a relevant and financially sustainable organisation serving the needs of a modern economy and its citizens.

Due to an unpaid debt, the organisation is placed in provisional liquidation during February 2023.

Part A: General Information

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

Mahatma Gandhi

Postman at Tshwane Mail

General Information

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

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

List of Abbreviations and Acronyms

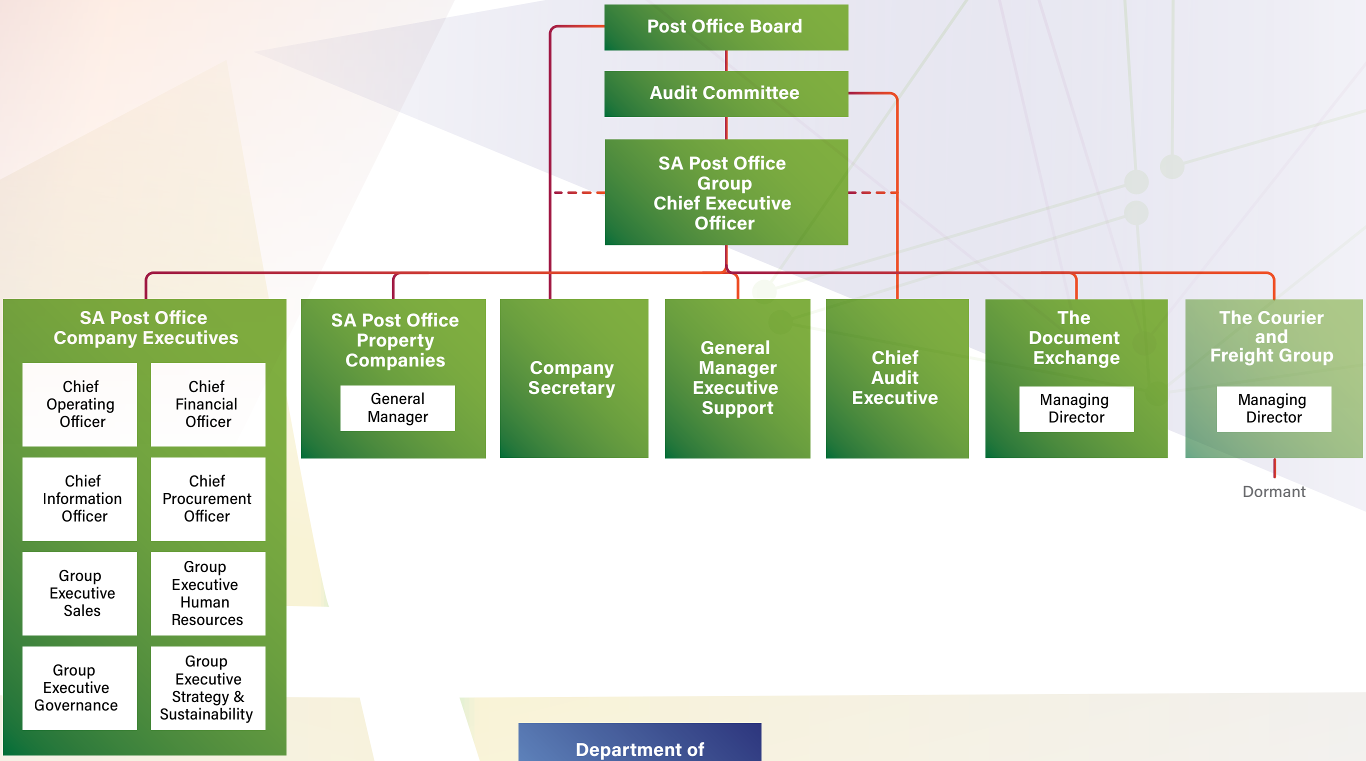
AARTO	The Administrative Adjudication of Road Traffic Offences
AGSA	The Auditor-General South Africa
ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
APP	Annual Performance Plans
ARC	Audit and Risk Committee
ATM	Automated Teller Machine
ATR	Annual Training Report
AU	African Union
BAC	Bid Adjudication Committee
BBBEE	Broad-based Black Economic Empowerment
BCP	Business Continuity Plan
BDM	Broadcasting Digital Migration
BEC	Bid Evaluation Committee
BoD	Board of Directors
BOT	Build Operate Transfer
BUs	Business Units
CCMA	Commission for Conciliation, Mediation and Arbitration
CCPA	Conference of Commonwealth Postal Administrations
CENTRIQ	Centriq Insurance Innovation (Pty) Ltd
CEO	Chief Executive Officer
CFG	The Courier and Freight Group (Pty) Ltd
CFO	Chief Financial Officer
CIT	Cash in Transit
CIO	Chief Information Officer
CPP	Cash Pay Points
CRASA	Communications Regulators' Association of Southern Africa
CSI	Corporate Social Investment
COO	Chief Operations Officer
CRMP	Compliance Risk Management Plan
DAFF	Department of Agriculture, Forestry
DIRCO	Department of International Relations and Cooperation
DOCEX	The Document Exchange (Pty) Ltd
DCDT	Department of Communications and Digital Technologies
DOA	Delegation of Authority

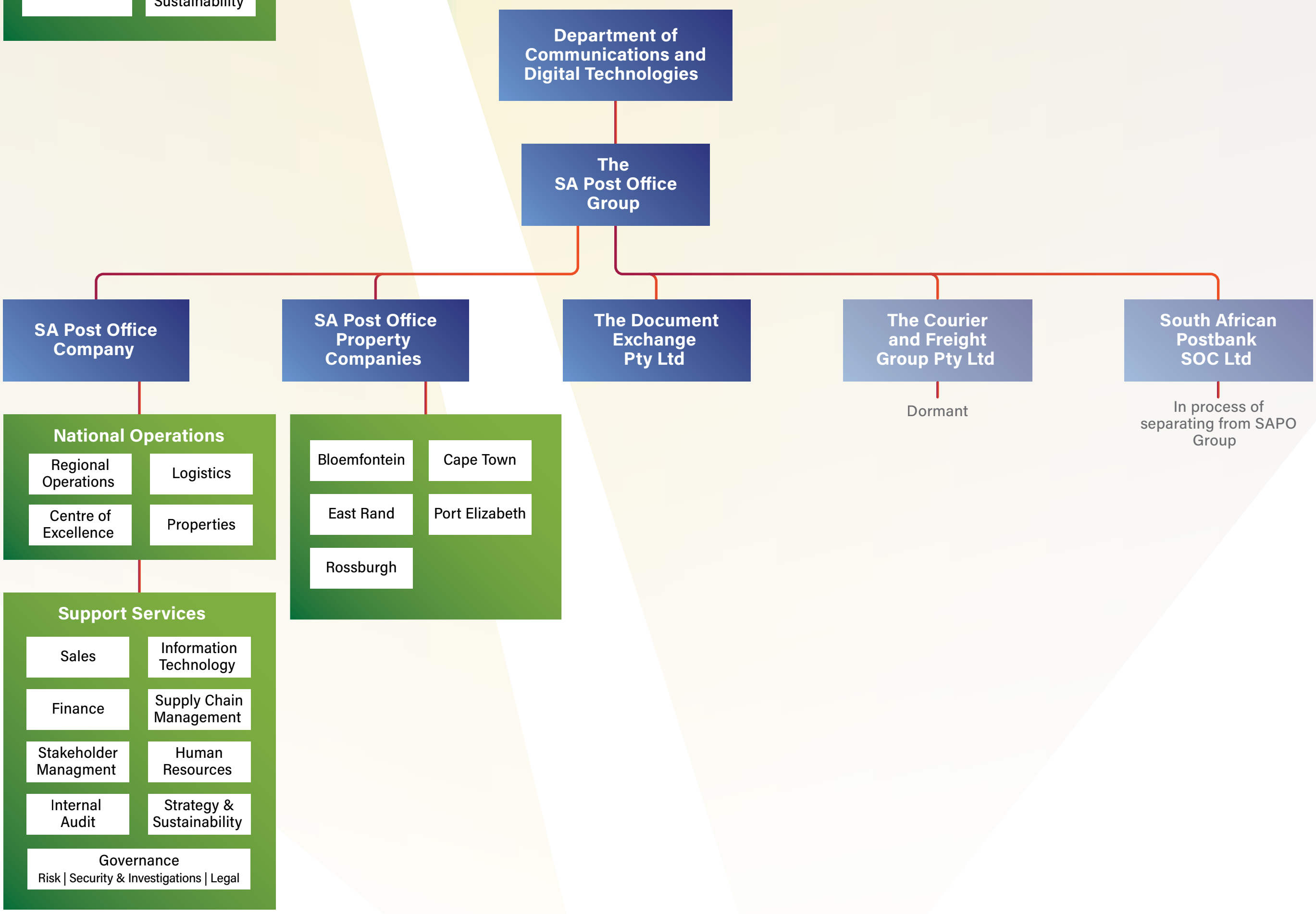
DPS	Domestic Postal System
DRM	Disaster Risk Management
DTH	Direct to Home
DTT	Digital Terrestrial Television
EAP	Enterprise Application Platform/Employee Assistance Program
EBDN	Electronic Bulk Mail Delivery Note
EEA	The Employment Equity Act
eCom API	eCommerce Application Programming Interfaces
ERP	Enterprise Risk Plan
ESS	Employee Satisfaction Survey
EWT	Endangered Wildlife Trust
EXCO	Executive Committee
FAIS	Financial Advisory & Intermediary Services
FICA	Financial Intelligence Centre Act 38 of 2001 (as amended)
FIC	Financial Intelligence Centre
FNB	First National Bank
FSB	Financial Services Board
FRA	Forward Rate Agreed
FY	Financial Year
GIS	Geographic Information System
GPC	Government Private Cloud
HR	Human Resources
HRTP	Human Resource, Transformation, Remuneration and Performance Committee
ICASA	The Independent Communications Authority of South Africa
ICT	Information and Communications Technology
IDTV	Integrated Digital Television
IFRS	International Financial Reporting Standards
IGPS	Integrated Grant Payment System
ILO	International Labour Organisation
IPS	International Postal System
IT	Information Technology
IT/STP	IT Governance, Strategic Planning and Procurement Committee
KING IV	The King Report on Corporate Governance IV
KPIs	Key Performance Indicators
MCP	Mail Collection Point

MD	Managing Director
MSA	Master Service Agreement
MTEF	Medium-term Expenditure Framework
MVL	Motor Vehicle License
NCD	Negotiable Certificates of Deposits
NCOP	National Council of Provinces
NHTL	National House of Traditional Leaders
NPS	National Payment System
OECD	Organisation of Economic Co-operation and Development
OSHA	Occupational Safety and Health Administration
PAA	Public Audit Act, No 25 of 2004
PAPU	The Pan African Postal Union
PFMA	Public Finance Management Act, No. 1 of 1999 (as amended)
PPE	Personal Protective Equipment
PPMD	Payroll Personnel Master Data
PPTE's	Permanent Part-Time Employees
POD	Proof Of Delivery
POPIA	Protection of Personal Information Act
POS	Point of Sale
POW	Programmes of Works
PRMA	Post-Retirement Medical Aid
PTC	Postal Technology Centre
PTTT	Postbank Transition Task Team
QoS	Quality of Service
RDMS	Retail Document Management System
REMS	Risk Evaluation and Mitigation Strategy
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
RPA	Retail Postal Agency
RTIA	Road Traffic Infringement Agency
RTMC	Road Traffic Management Corporation
SAAF	South African Air Force

SAC	Stamp Advisory Committee
SADC	Southern African Development Community
SAPOA	Southern African Postal Operators Association
SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCM	Supply Chain Management
SDAs	Social Disbursement Accounts
SDGs	Sustainable Development Goals
SETA	Sector Education and Training Authority
SFTP	Secure File Transfer Protocol
SITA	State Information Technology Agency SOC Ltd
SLA	Service Level Agreement
SMMEs	Small, Medium and Micro Enterprises
SOC	State-Owned Company
SOE	State Owned Entity
SRDs	Social Relief of Distress
STB	Set Top Boxes
STP	Strategic Turnaround Plan
SWAD	Scanning, Weighting, and Dimensioning
The SA Post Office	The South African Post Office (SOC) Limited
The Post Office Act	The South African Post Office Act No. 22 of 2011 (as amended)
TP	Turnaround Plan
TVBC	Transkei, Venda, Bophuthatswana and Ciskei
UIF	Unemployment Insurance Fund
UPU	Universal Postal Union
USAASA	Universal Service and Access Agency of South Africa
USO	Universal Service Obligation
WRE	Web Riposte
VSPs	Voluntary Severance Package
WSP	Workplace Skills Plan
YoY	Year on Year

Organisational Structure





Chief Executive Officer's Overview

The 2022/23 FY has been a most challenging period for the SA Post Office, and probably the most difficult it has had to face in the history of its existence.

As a result of the financial difficulties faced by the SA Post Office and its inability to make good on its creditor payments, the Pretoria High Court placed the SA Post Office into provisional liquidation on 9 February 2023. The judgment called for the SA Post Office to provide reasons on or before 1 June 2023 as to why the provisional order should not be made final.

The provisional liquidation order was followed by a submission by the Department of Communications and Digital Technologies to Cabinet requesting approval for a submission to the High Court to place the SA Post Office in business rescue. Cabinet granted the request and the High Court approved the application for the organisation to be placed in business rescue on 10 July 2023.

The passage of the organisation to being placed in provisional liquidation started as far back as 2006 when the net financial position commenced its decline, crossing into negative territory during the 2012/13 FY, and from which it has not recovered.

Costs have continued to exceed revenue, resulting in increasing outstanding liabilities. The slow development of a revised business model, together with a largely fixed cost base, lack of technology and infrastructure investment, low product development and innovation, poor operational performance, underfunded Universal Service Obligation (USO) and poor enforcement of the reserved postal area have exacerbated the decline in financial performance of the organisation.

The SA Post Office is at a critical point in its existence.

Post Office of Tomorrow

During October 2021, the Post Office of Tomorrow strategy was developed to move the organisation towards financial sustainability.

The Post Office of Tomorrow has set the strategic direction and foundation for the Corporate Plans for the 2021/22 FY and 2022/23 FY, with implementation of the strategy critically dependent on the availability of funding.

On 22 February 2023, the Minister of Finance, Mr Enoch Godongwana presented his National Budget Speech to the Members of the National Assembly. An amount of R2.4 billion was allocated to the SA Post Office for the implementation of the Post Office of Tomorrow, however as the organisation had been placed in provisional liquidation, the funding could not be accessed.

The Post Office of Tomorrow strategy has been adopted as the medium term strategy for the SA Post Office for its transition towards digitalisation, modernisation and financial sustainability, however as the organisation has been placed in business rescue, the adopted medium term strategy may be amended.

Overview

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

During the 2022/23FY there has been a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet financial obligations. The SA Post Office has been severely impacted with a loss of customers and planned revenues due to the cash flow effects and consequent non-payment of critical suppliers.

The low revenues have further contributed to the non-payment of critical creditors, outstanding liabilities at 31 March 2023 amounted to R9.5 billion with statutory payments of R2.4 billion. Statutory liabilities include R1.1 billion for the Post Office Retirement Fund, R539 million for SARS, R596 million for Medipos medical aid and R108 million for UIF. Amounts owed to creditors, rentals, and accruals total R2.7 billion. Unpaid trade vendor and Property rentals continue to negatively impact on the SA Post Office's ability to recover lost revenue. An amount of R212 million is owed to former employees for VSP payments that are paid on a monthly basis.

Load shedding has continued to affect operational performance and revenue generation, especially where affected mail centres, depots and branches are required close for the duration of load shedding, sometimes twice a day.

Service delivery has been negatively affected with a shortage of vehicles, tools of trade, bicycles, machine parts, etc. Initiatives such as productivity improvement, cross utilisation of staff, improvement of the end–to-end plan and route optimisation are continuing.

The average carry-over per month has increased from 3.27 million items to 5.26 million items as at 31 March 2023, with the mail delivery performance recorded at 51.62%, substantially below the ICASA regulated standard of 92%. As at 31 March 2023 only 88 vehicles (12%) were allocated, a reduction of 175 vehicles from February 2023 due to the service provider withdrawing their fleet, due to non-payment.

The SA Post Office Retail Outlet footprint as at 31 March 2023 comprises of 1 451 points of presence, of which 1 069 are conventional type Post Offices and 382 Retail Post Office Agencies. Although the network optimisation programme is confronted with forced closure of offices due to non-payment of rental, the program continuously aims to optimise the network through amalgamations and rationalisation of offices. During 2022/23FY, 122 branches have been closed, 64 forcibly by landlords due to non-payment of rental and a further 58 branches as part of the network optimisation programme.

The implementation of critical modernisation and digitalisation programmes was delayed due to the lack of funding together with the National Treasury requirement for the confirmation of budget and cash flow availability, prior to the commencement of procurement processes.

The SA Post Office Group headcount for permanent and non-permanent employees reduced from 14 460 as at 31 March 2022 to 12 640 at 31 March 2023, a reduction of 1 820 employees. The reduction in headcount was due to resignation, demise, dismissals, end of contract, retirement, and the implementation of a voluntary severance package programme (VSP).

From introduction of the VSP in December 2022 to March 2023, 1 891 employees were approved for the VSP. An owner driver scheme was also announced and 234 applications received.

In order to address the high employee cost base, a Section 189 process in terms of the Labour Relations Act was commenced with and notice given to Organised Labour on 3 March 2023, with the process facilitated by the CCMA. Due to the provisional liquidation, the Section 189 process was placed on hold.

The position of Chief Financial Officer was filled on 1 March 2023. A number of vacancies on the Board of Directors and Executive level have persisted during the 2022/23FY.

Government Service Delivery

The agreement between SASSA and the SA Post Office for the payment of the Covid-19 Social Relief of Distress grant (SRD) expired on 31 March 2022. In the absence of an extension to the agreement, on mutually agreed conditions, specifically related to reimbursement rate per beneficiary payment and prefunding of SRD payments, the SA Post Office was left with no other alternative but to terminate SRD payments.

Following termination, beneficiaries could collect their grants from any of the five participating retailers (Pick n Pay, Boxer, Checkers, Shoprite and USave) or via a banking account, giving beneficiaries' access to the National Payment System.

Notwithstanding the termination, the final payments of SRD grants continued until May 2022 during which 94 856 SRD grants were paid.

During October 2022, the contract for the payment of Social Grants was ceded to the Postbank.

During the 2022/23 FY, the SA Post Office registered a total 403 092 indigent households to receive subsidised Set-Top-Boxes (STBs) and distributed 422 245 STBs to qualifying households.

Governance

The Financial Misconduct Committee continues to review instances of irregular - and fruitless and wasteful expenditure.

Applications for the condonation irregular expenditure were submitted to National Treasury, however not approved due to consequence management not having been finalised in instances of irregular expenditure, where required. The requirement for consequence management to have been finalised prior to the submission of an application for condonation appears to have been amended with National Treasury Instruction 4 of 2022/2023 which now indicates that confirmation is to be provided that disciplinary action has been taken or is in the process of being taken against the responsible official or officials.

Notwithstanding approval granted by the Board of Directors for the write-off of fruitless and wasteful expenditure during April 2022 of an amount R648 million, the amount was reversed following audit by the Auditor General due to non-compliance with National Treasury requirements relating to the implementation of consequence management.

Critical Stakeholders

The SA Post Office faces a profound existential challenge however I am certain that the Post Office of Tomorrow will be forged during this difficult time, providing for the needs of the South African society, customers and Government.

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

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

Lastly, we thank our customers for entrusting us with your business.

Chief Executive Officer
Ms Nomkhita Mona

Strategic Overview

VISION

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

MISSION

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

VALUES

Trust: Con-fidence in the integrity, reliability and fairness

of the SA Post Office by our Customers and Employees.

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

Innovation: Transforming new ideas into tangible results.

Excellence: Commitment to being the best and delivering the best.

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

Legislative and Other Mandates

Mandate, regulation and license

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

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

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

Regulation

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

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

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

The Postal Services Act of 1998 obligates the Regulator, the Independent Communications Authority of South Africa (ICASA), to protect the provision of the universal service on behalf of the Reserved Postal Services licensee, namely the SA Post Office. The Postal Services Act further requires ICASA to monitor the incumbent against 'anti-competitive' behaviour.

Legislative and Governance Framework

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

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

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

Part B: Performance Information

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

Willie Kgositsile

Friendly service at Bloemfontein Post Office

Report on Predetermined Objectives

Service Delivery Environment

The SA Post Office plays a vital role in ensuring the delivery of essential social services to remote and under-served communities, serving as a critical link between Government and citizens by facilitating the distribution of important documents, social grant payments and Government communications. By fulfilling this role, the SA Post Office supports the Government's objectives in providing accessible services to all citizens, contributing to social cohesion and stability.

The SA Post Office through the provision of postal service serves as an important interface between Government and its citizens. In effect, being the delivery arm of Government, not just in terms of correspondence but also in respect of services. The postal service, in most instances, is the most accessible face of Government to citizens, a visible sign of service delivery between Government and its citizens. Most importantly, the SA Post Office ensures service delivery in uneconomical and rural areas, where the private sector is unwilling to operate, and thereby preventing market failure for essential services within these communities.

The Post Office of Tomorrow strategy has remained the foundation for the Corporate Plan 2023/24 – 2025/26 as approved by the Board of Directors and submitted to the Department of Communications and Digital Technologies (DCDT). There was no amendment to the Annual Performance Plan 2022/23 FY as approved by the Board of Directors.

Aligned to the Medium-Term Strategic Framework 2019-2024, the Post Office of Tomorrow strategy revises the strategic role of the SA Post Office from a conveyor of letter-post to an integrated logistics and e-commerce service provider, including designation as the National Authentication Authority. Implementation of critical activities and projects of the Post Office of Tomorrow strategy commenced, however implementation has remained severely challenged and has been delayed due to the lack of funding for a number of key projects and initiatives.

The financial position of the SA Post Office has remained extremely dire, with the organisation having been placed into provisional liquidation on 9 February 2023. The judgment required the SA Post Office provide reasons on or before 1 June 2023 as to why the provisional order should not be made final.

With due regard to the provisional liquidation, legal advice was obtained by the SA Post Office as to the options available, namely (a) final liquidation, (b) business rescue, (c) compromise of creditors and (d) full payment of creditors. A submission was approved by Cabinet recommending that the SA Post Office be placed under business rescue and an application made to Court.

During the 2022/23 FY there has been a continued mismatch between monthly revenues generated and corresponding operating expenditure, resulting in a deficit to meet monthly financial obligations. The SA Post Office has been severely impacted with a loss of customers and planned revenues due to the cash flow effects and consequent non-payment of critical suppliers.

The low revenues have further contributed to the non-payment of critical creditors, outstanding liabilities at 31 March 2023 amounted to R9.5 billion with statutory payments of R2.4 billion. Statutory liabilities include R1.1 billion for the Post Office Retirement Fund, R539 million for SARS, R596 million for Medipos medical aid and R108 million for UIF. Amounts owed to creditors, rentals, and accruals total R2.7 billion. Unpaid trade vendor and Property rentals continue to negatively impact on SA Post Office ability to recover lost revenue to move to financial sustainability. An amount of R212 million is owed to former employees for VSP payments that are paid on a monthly basis.

Service delivery has been negatively affected with a shortage of vehicles, tools of trade, bicycles, machine parts, etc. Initiatives such as productivity improvement, cross utilisation of staff, improvement of the end–to-end plan and route optimisation are continuing.

The average carry-over per month has increased from 3.27 million items to 5.26 million items as at the end of March 2023, with the mail delivery performance recorded at 51.62%, substantially below the ICASA regulated standard of 92%. As at 31 March 2023 only 88 vehicles (12%) were allocated, a reduction of 175 vehicles from February 2023 due to the service provider withdrawing their fleet, due to non-payment.

Load shedding has continued to affect operational performance and revenue generation, especially where affected mail centres, depots and branches are required close for the duration of load shedding, sometimes twice a day.

The SA Post Office Retail Outlet footprint as at March 2023 consists of 1 451 points of presence, of which 1 069 are conventional type Post Offices and 382 Retail Post Office Agencies. Although the network optimisation programme is confronted with forced closure of offices due to non-payment of rental, the program continuously aims to optimise the network through amalgamations and rationalisation of offices. During 2022/23 FY, 122 branches have been closed, with 58 branches as part of amalgamations for the financial year.

The implementation of critical modernisation and digitalisation programmes was delayed due to the lack of funding together with the National Treasury requirement for the confirmation of budget and cash flow availability.

The separation of Postbank from the SA Post Office came into effect on 01 April 2019 and notwithstanding the financial separation between the SA Post Office and Postbank, the Postbank remains inextricably linked to the SA Post Office, with the Postbank having no physical points of presence, other than through the SA Post Office.

During October 2022, the contract for the payment of Social Grants was ceded to the Postbank, by the SA Post Office.

The South African Post Office continued to play a vital role in the country's objective of migrating all television transmission from analogue to digital transmission. The project aims to improve media services and leverage the efficiencies brought about by the new digital broadcasting technology. The project, once implemented will create new possibilities for South Africa and open up opportunities to partake credibly in the global digital economy.

The SA Post Office has been mandated by the DCDT to be one of the critical stakeholders of the Analogue Switch off project which intends to supply 100% of registered households with Government subsidised Set Top Boxes (STBs) by 30 June 2023. This is to ensure that once all analogue transmitters are switched off, and all citizens in South Africa have been migrated to digital technology.

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

- The display and distribution of STB marketing material at SA Post Office online outlets
- Process applications for the subsidised STBs
- The ordering, warehousing and distribution of STB equipment to SA Post Office outlets
- Process delivery of STB equipment in sequential distribution number order to qualifying applicants
- The exchange/replacement of faulty/incomplete/incorrect STB equipment (Reverse distribution process)
- Acceptance of the return of un-installed STB kits by the assigned STB Installers at SA Post Office branches
- The insurance of STB kits up to hand over to installers

During the 2022/23 FY, the SA Post Office registered a total of 403 092 indigent households to receive subsidised STBs and has issued 422 245 STBs to qualifying households.

Organisational Environment

The SA Post Office Group headcount for permanent and non-permanent employees reduced from 14 460 as at 31 March 2022 to 12 640 at 31 March 2023, a reduction of 1 820 employees. The reduction in headcount was due to resignations, deaths, dismissals, ends of contract, retirement, and the implementation of the voluntary severance package programme.

From the inception of the introduction of voluntary severance packages (VSP) in December 2022 to March 2023, 1 891 employees were approved for the VSP. An owner driver scheme was also announced and 234 applications were received.

In order to address the high employee cost base, a Section 189 process in terms of the Labour Relations Act commenced with notice given to Organised Labour on 3 March 2023, with the process facilitated by the CCMA. Due to the provisional liquidation, the Section 189 process was been placed on hold until finality in the matter is reached.

The SA Post Office had numerous leadership vacancies during the 2022/23 FY. The filling of positions for the Chief Procurement Officer, and Chief Technology Officer are in the final stages of appointment.

The position of Group Executive Commercial has become vacant due to the contract for the incumbent (S32) not being renewed from December 2022 onwards. The General Manager in the office of the CEO was appointed 01 October 2022 and is also currently overseeing the Commercial division.

The position of Chief Financial Officer was filled on 1 March 2023.

Key Policy Developments and Legislative Amendments

On Wednesday 22 February 2023, the Minister of Finance, Mr Enoch Godongwana presented his National Budget Speech to the Members of the National Assembly. An amount of R2.4 billion was allocated to the SA Post Office for the implementation of the Post Office of Tomorrow Strategy.

The South African Post Office SOC Amendment Bill was published during 2021. The Amendment Bill seeks to amend the South African Post Office SOC Ltd Act, 2011, so as to provide for the revised duties and expand on the mandate of the SA Post Office as provided for in this Act and the Postal

Services Act, 1998; provide for the repurposing of the Post Office infrastructure so as to provide diversified and expanded services and exploit the infrastructure capacity to extract value and forge partnerships with other stakeholders; to provide for the revised governance structure of South African Post Office; to provide for the establishment, appointment and functions of the Stamp Advisory Committee; and to provide for matters connected therewith.

In terms of the Bill, the SA Post Office to take advantage of technological developments in its environment, revise its duties and expand its mandate, become a provider of universal postal and courier services, integrated logistics provider, e-commerce platform provider and a digital hub for business and communities.

The Amendment Bill was introduced by the Minister of Communications and Digital Technologies to the National Assembly on 11 May 2023 and approved.

The transfer of Postbank to operate as a separate company has been concluded and from 1 April 2019, the Postbank continues to prepare separate annual financial statements.

Performance Information

The SA Post Office has, in conjunction with DCDT Ministry, developed the Post Office of Tomorrow turnaround strategy which drives the organisation's turnaround and return to financial sustainability and business stability and growth. The strategic objectives over the 2022/23 FY considered 9 key areas identified for the Corporate Plan:

1. Financial Sustainability
2. Logistics Centre
3. Logistics Partnerships
4. eCommerce
5. Authentication Authority / Trust Centre
6. Digital Business Hubs
7. Building Capacity & Capability
8. Digitalisation & Modernisation
9. Corporate Governance

A total of 13 Key Performance Indicators (KPIs) were set and measured for the 2022/23 FY, aligned towards attaining the 9 strategic objectives. Performance for 2022/23 FY has been poor when considering only 2 KPIs achieved 100% of the planned target or 15% overall achievement on target.

The delay in funding availability and financial challenges experienced by the SA Post Office have directly contributed to the poor performance on performance targets.

Strategic Objectives	Planned Target	Number Achieved 100%	100% Achievement	Number achieved 80% - 99%
Financial Sustainability	1	0	0%	0
Logistics Centre	2	1	50%	0
Logistics Partnerships	1	1	100%	0
eCommerce	1	0	0%	0
Authentication Authority / Trust Centre	1	0	0%	0
Digital Business Hubs	1	0	0%	0
Building Capacity & Capability	3	0	0%	0
Digitalisation & Modernisation	2	0	0%	1
Corporate Governance	1	0	0%	0
Total	**13**	**2**	**15%**	**1**

Financial Sustainability

The strategic objective focuses on improving the financial position of the SA Post Office by becoming financially sustainable and attain a net profit / (loss) position as per the Corporate Plan 2022/23 - 2024/25. This objective comprised 1 KPI to attain the net profit/loss position as budgeted per Corporate Plan for 20222/23 FY.

The annual target was not achieved with an attained net loss position of R2 175 million against a projected net loss target of R1 384 million. Revenue performance YTD was weak with an attainment of R2 771 million against a target of R4 863 million, a negative variance of R2 091 million on target.

The low revenues have further contributed to the non-payment of critical creditors, outstanding liabilities at 31 March 2023 amounted to R9.5 billion with statutory payments of R2.4 billion.

The expense budget for the 2022/23FY at R6 699 million was achieved at R5 210 million (excluding finance cost). Staff expenses comprises approximately 70% of all expenses.

Logistics Centre

The objective considers two KPIs.

The first KPI is aimed at establishing a unified logistics services platform and provide to both customers' and courier operators' reverse logistics needs. The consolidation of courier and parcel business into a unified platform KPI was successfully rolled out within the courier sphere in Durban and Cape Town, to process all items on the same stream.

The second KPI aims at establishing a network of warehouses. The network of warehouses pilot implementation KPI was only partially completed due to outstanding SARS regulatory approvals and requirements for bonded warehouses.

Logistics Partnerships

The objective considers one KPI only.

The goal of the strategic objective is to establish SA Post Office as the centre of the Logistic-alliance thereby assisting businesses to transport freight and packages domestically and internationally. The target was achieved with a partnership signed between SA Post Office and Sinoair.

eCommerce

The objective considers one KPI only.

The goal of the strategic objective is for the SA Post Office to become a cyber-physical entity by effectively leveraging technologies and operating in a modernised manner, and to be more competitive and reposition itself in the market. The strategic objective considered the establishment of an eCommerce mall to support SMME development.

The eMall/eCommerce services were not launched due to SAP integration delays, and most of the milestones and deliverables being dependant on SAP and the payment gateway solutions.

Authentication Authority / Trust Centre

The objective considers one KPI only.

The goal of the strategic objective considered the establishment of a designated Authentication Authority that fulfils its role as a National Trust Centre in the age of digital identity and services.

The target to have established an accredited Trust Centre process was not achieved due to funding and related procurement delays.

Digital Business Hubs

The objective considers one KPI only.

The goal of the strategic objective is to transform SA Post Office outlets into one-stop technology service centres for business and individuals and to support their ICT and related requirements. The target was not achieved due to a lack of funding available to implement the project.

Building Capacity & Capability

The objective considers three KPIs.

The goal of the strategic objective is to optimise core business processes and systems which stabilise the business and enhance the efficient operating of the organisation.

Due to delays in mail processing, backlogs and carry overs accumulated during load shedding, together with financial challenges which resulted in the withdrawal of the delivery fleet, closure of branches and a lack of tools of trade, the achievement of the regulated ICASA mail delivery standard was not achieved. Performance was recorded at 51.62% against the regulated target of 92%.

The achievement of the domestic and international courier delivery standard also was not achieved with domestic measuring recorded at 46.8% and international performance recorded at 39.1%. The performance was affected by the shortage of vehicles, limited funding for airline services, and low scanning performance.

In order to ensure efficient service delivery and increased value to customers, the 100% resolution of customer complaints recorded at the call centre within 7 working days is required. Annual performance is recorded at 79%. During the 2022/23 FY, 6 678 complaints were recorded with 5 271 complaints resolved within 7 working days, with 1 407 complaints outside the required resolution period. Reasons being for the target not being achieved include poor delivery standards, forced closure of branches and resulting redirection of mail items to other branches, and relocation of mail collection points.

Digitalisation & Modernisation

The objective considers two KPIs.

SA Post Office systems are to be available at a 98% system uptime for customers to transact. The target was not achieved at 97.86% due to power supply challenges experienced at the Data Centre.

The implementation of critical modernisation and digitalisation programmes was not fully implemented with a cumulative 42.73% achievement at year end and the target not achieved. The lack of funding for the implementation of critical projects, together with the National Treasury requirement regarding the confirmation of budget and cash flow availability prior to procurement processes being initiated, has resulted in the partial attainment of the target.

Corporate Governance

The objective considers one KPI only.

The goal of the strategic objective is to enhance adherence to corporate governance standards across the organisation.

The target to have an unqualified audit opinion for was not achieved with a disclaimer of opinion issued for 2022/23 FY. The Auditor General did not express an opinion on the financial statements of the SA Post Office due to the significance of the matters described in the basis for disclaimer of opinion section of the Auditor General's report. The disclaimer of opinion was as a result of, amongst other matters, the Going Concern status of the SA Post Office.

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

Delivering SASSA services

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Performance and Reasons for Target Variance/Deviation
1. Financial Sustainability	To be a productive asset rather than a liability to the State	1.1	Attain net profit / (loss) position as per the Corporate Plan 2022/23 - 2024/25	(R1 384 350)	**(R2 174 582)**	(R790 232)	**Not Achieved**	The annual target was not achieved with an actual net loss position of R2 174 million against a projected net loss target of R1 384 million. Revenue performance during the FY was weak with an attainment of R2 771 million against a target of R4 863 million. The lower than projected revenue performance is due increased customer migration to digital alternatives and transaction volumes, together with the weak financial position of the SA Post Office and suppliers not having been paid, thus withdrawing services, further impacting revenue generation. Additional factors influencing the reduced revenue include a lack of technology investment, lack of tools of trade, operational performance, product offering and closure of branches. The expense budget for the 2022/23 FY at R6 699 million was achieved at R5 398 million (excluding finance cost). Staff expenses comprises approximately 70% of all expenses.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Performance and Reasons for Target Variance/Deviation
2. Logistics Centre	To establish a unified logistics services platform and to provide both customers and courier operators reverse logistics needs	2.1	Consolidation of courier and parcel business into unified platform	Roll – out & Implement the Consolidated Plan/deliverables	**Consolidated Plan deliverables rolled out and implemented**	-	**Achieved**	The annual target was achieved. The Incorporated EMS and eCommerce within courier sphere in Durban and Cape Town, in order to process all items on the same stream.
		2.2	Network of warehouses	Pilot Implementation (achievement of project plan deliverables for pilot of solution)	**Pilot Implementation partially completed**	Pilot Implementation (achievement of project plan deliverables for pilot of solution)	**Not Achieved**	The target was not achieved. The network of warehouses pilot implementation was only partially completed due to outstanding SARS regulatory approvals and requirements for bonded warehouses.
3. Logistics Partnerships	To establish SA Post Office as the centre of the Logistic-alliance thereby assisting businesses to transport freight and packages domestically and internationally	3.1	Establishment of Logistics Alliance (international & domestic)	Implementation & Achievement of the Logistics Alliance Plan deliverables	**Implementation & Achievement of the Logistics Alliance Plan deliverables achieved**	-	**Achieved**	The target was achieved. A partnership with Sinoair and SAPO was signed.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Performance and Reasons for Target Variance/Deviation
4. eCommerce	The organisation is to become a cyber-physical entity effectively leveraging technologies and operating in a modernised manner. Ultimately, the SA Post Office aims to be more competitive and reposition itself in the market, located at the apex's physical and digital economies.	4.1	Establish eCommerce mall to support SMME development	Launch eMall / eCommerce services	**eMall / eCommerce services not launched**	Launch eMall / eCommerce services	**Not Achieved**	The annual target was not achieved. The eMall/eCommerce services were not launched due to SAP integration delays, and most of the milestones and deliverables being dependant on SAP and the payment gateway solutions.
5.Authentication Authority / Trust Centre	The organisation is to become a cyber-physical entity effectively leveraging technologies and operating in a modernised manner. Ultimately, the SA Post Office aims to be more competitive and reposition itself in the market, located at the apex's physical and digital economies.	5.1	Trust Centre establishment	Accredited Trust centre process	**Trust centre process not accredited**	Accredited Trust centre process	**Not Achieved**	The target was not achieved for the year. The target to have established an Accredited Trust Centre process was not achieved due to funding and related procurement delays.
6. Digital Business Hubs	To transform SA Post Office outlets into one-stop technology service centres for business and individuals	6.1	Establishment of Digital Business Hubs	100%	**55%**	(45%)	**Not Achieved**	The target was not achieved due to a lack of funding available to implement the project.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Performance and Reasons for Target Variance/Deviation
7. Building Capacity & Capability	Optimise core business processes and systems which stabilise the business and enhance the efficient operating of the organisation. To enhance the customer experience at all points of presence through effective delivery of services, including government services, to all communities.	7.1	Achieve the regulated mail delivery standard	92%	**51.62%**	(40.38%)	**Not Achieved**	The target was not achieved. Due to delays in mail processing, backlogs and carry overs accumulated during load shedding, together with financial challenges which resulted in the withdrawal of the delivery fleet, closure of branches and a lack of tools of trade, the achievement of the regulated ICASA mail delivery standard was not achieved. Performance was recorded at 51.62% against the regulated target of 92%.
		7.2	Achieve domestic and international courier delivery standard	92%	**46.8% Domestic 39.1% EMS**	Not verifiable	**Not Achieved**	The target of 92% was not achieved. The achievement of the domestic and international courier delivery standard was not achieved with domestic measuring recorded at 46.8% and international performance recorded at 39.1%. The performance was affected by the shortage of vehicles, limited funding for airline services, and low scanning performance. It should be noted that the monitoring of the domestic courier delivery standard will require data enhancement for future tracking and monitoring purposes.
		7.3	Resolution of customer complaints recorded at the call centre within 7 days	100%	**79%**	(21%)	**Not Achieved**	The target was not achieved with a performance of 79% resolution within 7 days. The reasons for the target not being achieved include poor delivery standards, forced closure of branches and resulting redirection of mail items to other branches, and relocation of mail collection points.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Performance and Reasons for Target Variance/Deviation
8. Digital-isation & Moderni-sation	Optimise core business processes and systems which stabilise the business and enhance the efficient operating of the organisation.	8.1	Maintain system uptime at online Post Office branches	98%	**97.86%**	(0.14%)	**Not Achieved**	The target was not achieved at 97.86% due to power supply challenges experienced at the Data Centre.
		8.2	Implementation of critical moderni-sation and digitalisation programmes	100%	**42.73%**	(57.27 %)	**Not Achieved**	The lack of funding for the implementation of critical projects, together with the National Treasury requirement regarding the confirmation of budget and cash flow availability prior to procurement processes being initiated, has resulted in the partial attainment of the target.
9. Corporate Gover-nance	Enhance adherence to corporate governance standards across the organisation	9.1	Improve the Audit Outcome	Unqualified audit opinion	**Disclaimer of opinion**	Unqualified audit opinion	Not Achieved	The annual target was not achieved. The Auditor General did not express an opinion on the financial statements of the SA Post Office due to the significance of the matters described in the basis for disclaimer of opinion section of the Auditor General's report. The disclaimer of opinion was as a result of, amongst other matters, the Going Concern status of the SA Post Office.

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

Revenue and Sales

The 2022/23 FY was one of increasing economic instability globally. The continued impact of the Covid 19 pandemic continue to have a continued ripple effect globally. The closure of businesses and cost reduction processes by our customers has had a profoundly negative impact on our business in general. The traditional products and services have seen drastic declines due to substitution and increased competition by the market.

Global inflationary pressures are also having an impact on the parcel and retail business. The increases in fuel and subsequent downstream rate increases on both services and products, has seen a reduction in discretionary expenditure. The growth of Hybrid mail is indicative of this as this product is rendered from a digital platform with a printing and delivery option. The SA Post Office continued investments into improving and maintaining services resulted in increased costs without the commensurate revenues.

The severe financial position SA Post Office found itself in this fiscal saw branches being closed and experienced staff members taking VSPs. This had a major impact on product lines that require the branch network such as MVL, Third party payments and parcels. To counter this, the SA Post Office continues in its drive towards the digitisation of the entity, products and some services. At the core of the digital offerings is the financial services segment, Hybrid mail, eRegistered mail, and digital certificates.

The mentioned digitisation project will continue to bring more options to these services whilst adding value to users. Our courier capabilities are being upgraded to improve on the last-mile delivery for online transactions.

The Sales Unit continues to respond to tenders from Municipalities for services with an improved service offering that includes the complete value proposition of the SA Post Office. These include the digital offerings to enhance the service the SA Post Office provides to Government. SA Post Office now plays a major part in some municipalities in the entire vehicle licencing process.

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

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

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

The full implementation of the projects underway should also result in revenue growth.

Capital Investments

During the 2022/23 FY a budget of R412 million was made available for capital investment, with an amount of R3 million expended and a further amount of R44 million committed.

An amount of R369 million of the capital investment budget remains unspent due to cash flow constraints.

Capital Investment items	Budget (R'000)	Actual	Commited	Total Actuals and Commited	Budget Available
Buildings and other property	250 000	1 714	2 260	3 974	246 026
Computers and other equipment	58 500	1 015	31 741	32 756	25 744
Printers	40 000			-	40 000
Delivery and other vehicles	27 000			-	27 000
E-Commerce	16 000				16 000
Software and servers	20 000		5 538	5 538	14 462
Total	**411 500**	**2 729**	**39 539**	**42 268**	**369 232**

During the 2021/22 FY a budget of R529 million was made available for capital investment, with R11 million expended and a further amount of R41 million that was committed at year-end.

The performance for capital investment has deteriorated from 2020/21 FY where 17% of the budget was expended and committed, to 10% for the 2021/22 FY, and to 11% for the current 2022/23 FY due to the cash flow constraints.

Operations

The core capability of the SA Post Office is logistics and will be expanded and strengthened as is envisaged in the Post Office of Tomorrow turnaround strategy.

The SA Post Office has over the years specialised in small goods logistics which include collection, clearing, warehousing, cross docking and delivery. Operating nationally and internationally, the cross border logistics capability positions SA Post Office to be a significant key player in the eCommerce supply chain with the capability being critical for a successful and growing eCommerce market. Digital capability has become a prerequisite for financial viability.

The modernisation and digitalisation of SA Post Office products and services is a strategic imperative.

Mail volumes have continued to decline due to digital migration. Due to delivery standards, a number of mail houses no longer lodge mail with the SA Post Office.

SASSA payment statistics have been recorded by the SA Post Office until 30 September 2022, as from 1 October 2022 Postbank took over the Master Service Agreement (MSA). Covid-19 SRD grants continued to be paid by the SA Post Office until April 2022. During May 2022, the outstanding payments to beneficiaries were finalised.

The registration of qualifying households for the Broadcasting Digital Migration Programme (BDM) continued in all provinces. During the 2022/23 FY, a total of 403 092 qualifying households were registered.

Good progress was made with the geo-referencing and uploading of addresses to the national address database. A total of 306 000 addresses were geo-referenced for the 2022/23 FY.

Operations continued with the Properties distribution network optimisation aimed at consolidating and merging urban non-performing branches with better performing outlets. The SA Post Office financial challenges also resulted in forced office closures of branches and other facilities by landlords due to non-payment of rental. During 2022/23 FY, 122 branches have been closed, with 58 branches as part of amalgamations for the financial year.

The selling of non-core properties continued during the 2022/23 FY with 36 properties sold during the financial year under review.

South African Social Security Agency (SASSA)

The SASSA/SA Post Office Social Disbursement Accounts (SDAs) decreased by 6% during the 2022/23 FY, bringing the total number of beneficiaries to 6 786 614 as compared to 7 204 262 during the 2021/22 FY.

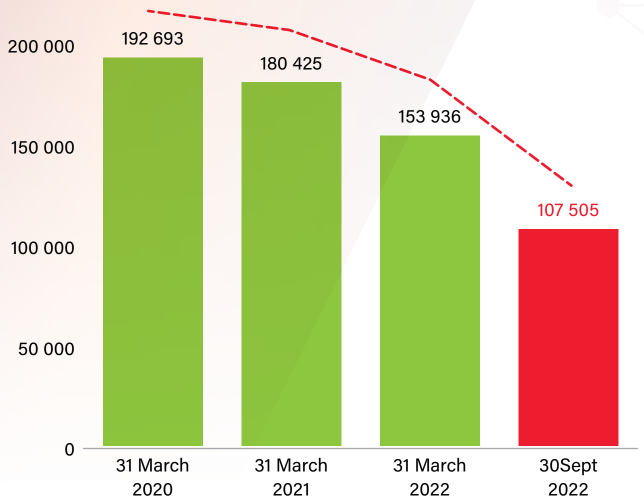
The table below reflects the total beneficiaries and split between Integrated Grant Payment System (IGPS) and Mzansi accounts comparatively year-on-year.

Payments	Mar-20	Mar-21	Mar-22	Sep-22	Change
IGPS	8 069 729	7 873 543	7 119 151	6 707 263	-411 888
Mzansi	94 511	90 838	85 111	79 351	-5 760
Total	**8 164 240**	**7 964 381**	**7 204 262**	**6 786 614**	**417 648**

As indicated, SASSA payment statistics have been recorded by the SA Post Office until 30 September 2022, as from 1 October 2022 Postbank took over the MSA.

A total of 107 505 beneficiaries were paid at Cash Pay Points (CPPs) during September 2022, compared to 153 936 beneficiaries during March 2022.

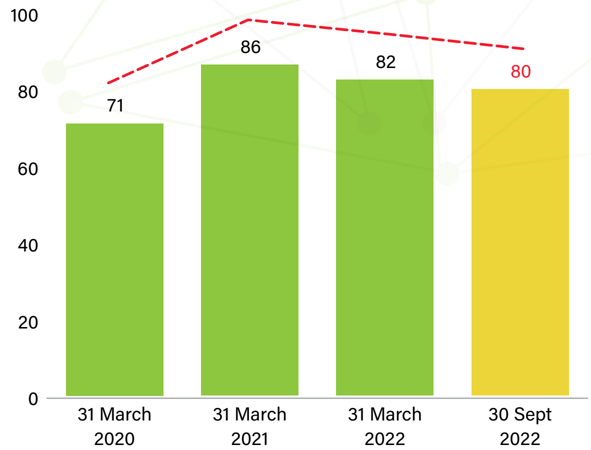
CPP Beneficiaries – YoY



SASSA SLA

The compliance rating in terms of the SASSA SLA during September 2022 was recorded at 79.8%, while the compliance target is at 95% in terms of both the SA Post Office branches and CPPs. The non-compliance with the SLA target is mainly due to challenges of providing sufficient chairs, ablution facilities and other dignity related services.

SASSA SLA Compliance – Target 95%

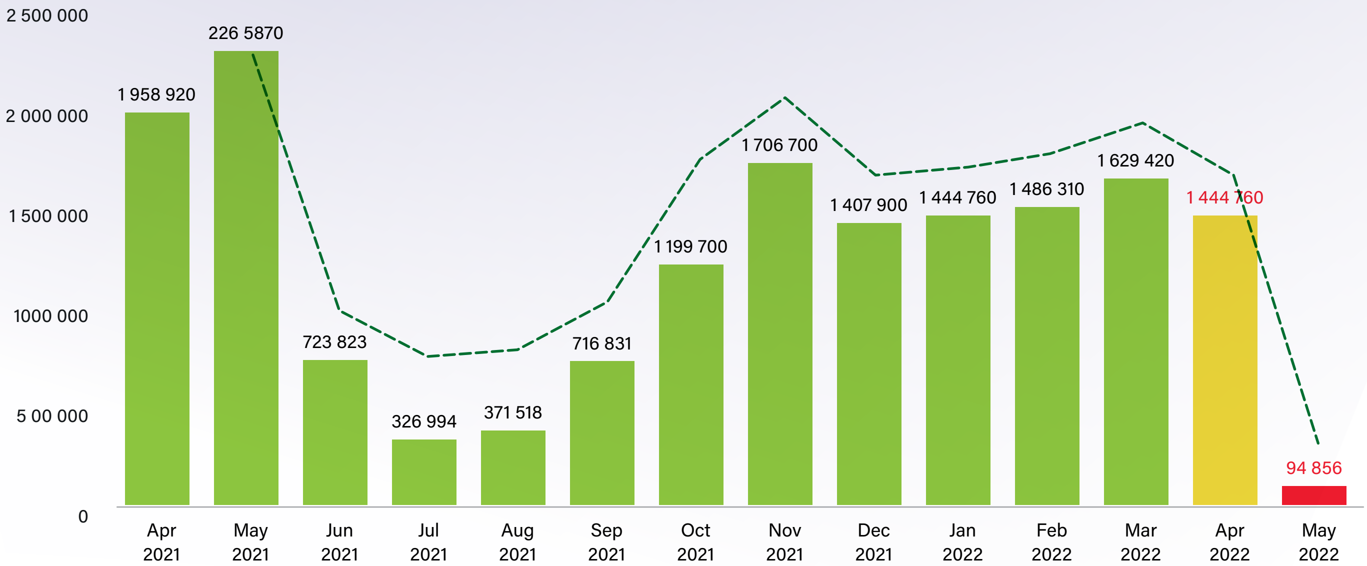


Social Relief of Distress (SRD) Grants

The payment of Covid-19 SRD grants ended May 2022. A total of 1 444 765 beneficiaries were paid during April 2022 as compared to 1 985 521 beneficiaries paid in April 2021.

During May 2022, outstanding payments to beneficiaries were finalised.

SRD Beneficiary Volume

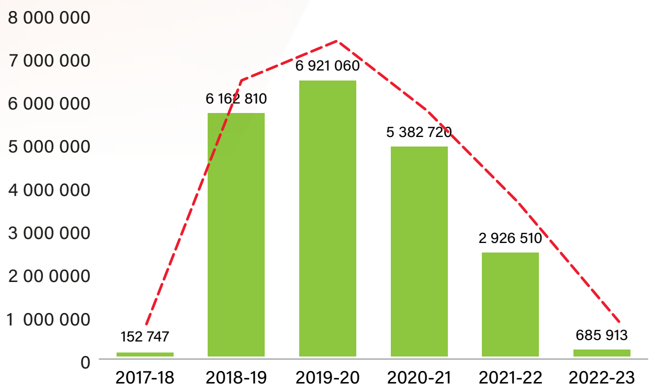


CN22 Parcel Revenue

Volumes for CN22 international parcels declined significantly from 2 926 511 during 2021/22 FY to 685 913 during 2022/23 FY.

The historical volumes for CN22 parcels is indicated in the table below:

CN22 Parcel Revenue – Millions



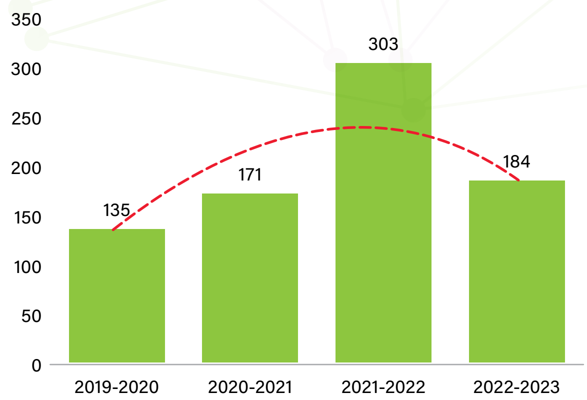
Branch Profitability

As ta 31 March 2023, there were 1 069 operational branches:

- 453 rural branches of which 397 are loss making and 56 are profitable
- 616 urban branches of which 488 are loss making and 128 are profitable

The graph below depicts the branch profitability year on year:

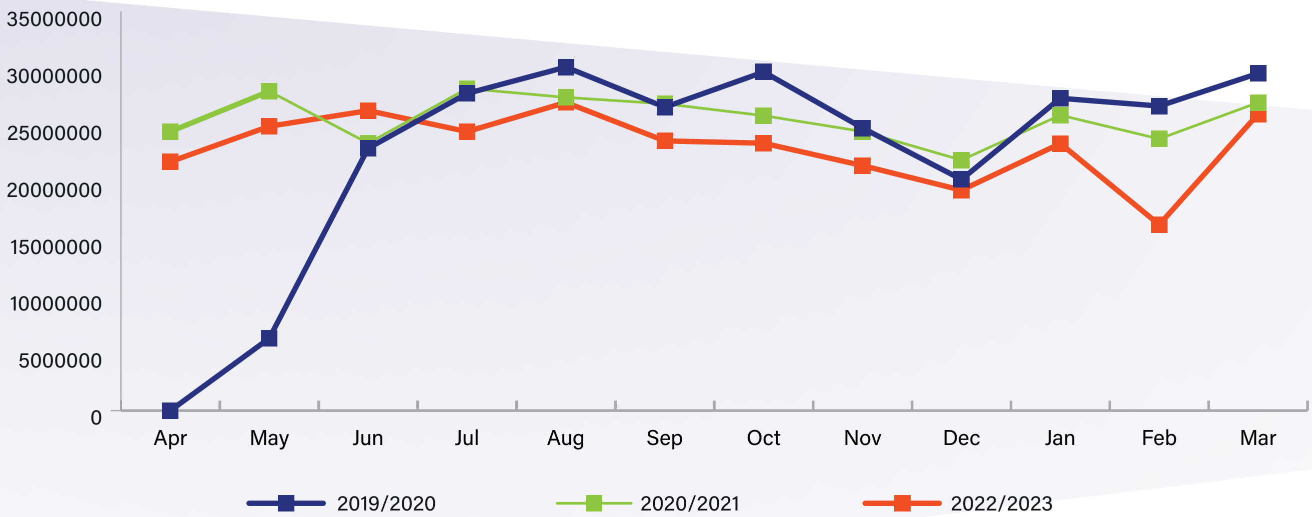
Branch Profitability YoY



Mail Business

The graph below indicates the consolidated domestic total mail volumes for standard mail, non-standard mail, fastmail, registered letters and parcels over a three-year cycle from 2020/2021 FY to 2022/23 FY.

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



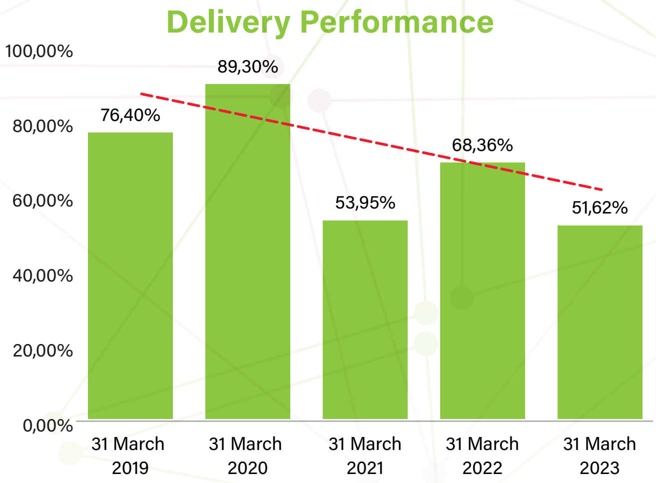
As will be noted from the above mail volumes for 2022/2023 FY have shown a downward trend and are lower than during 2020/2021 FY lockdown.

SERVICE STANDARD

Delivery Standards

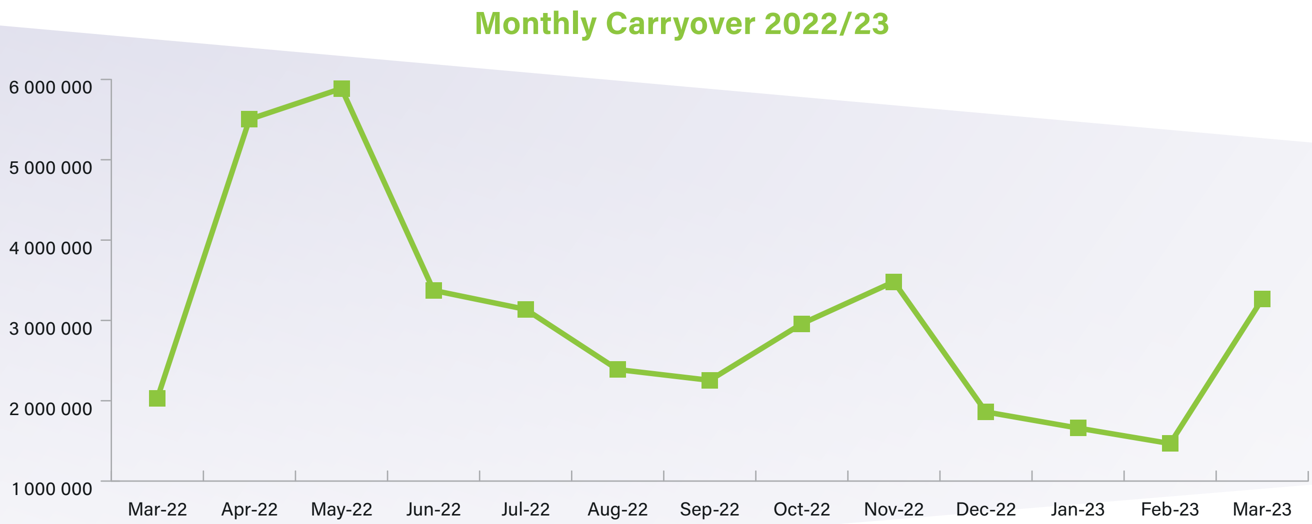
The mail delivery performance was severely affected by the Covid-19 pandemic, however improved to 68.36% at the end of March 2022. Performance for the 2022/23 FY has declined by 16.74% to 51.62% as at the end of March 2023. Mail delivery performance was affected by the non-payment of creditors and the financial challenges facing the SA Post Office.

The graph below indicates the mail delivery performance from 2019 to 2023.



The average carry overs for 2022/23 FY were recorded at 3.1 million items. The SA Post Office delivers on average 1 166 270 items per day.

The carryover trend from March 2022 to March 2023 is indicated in the graph below:

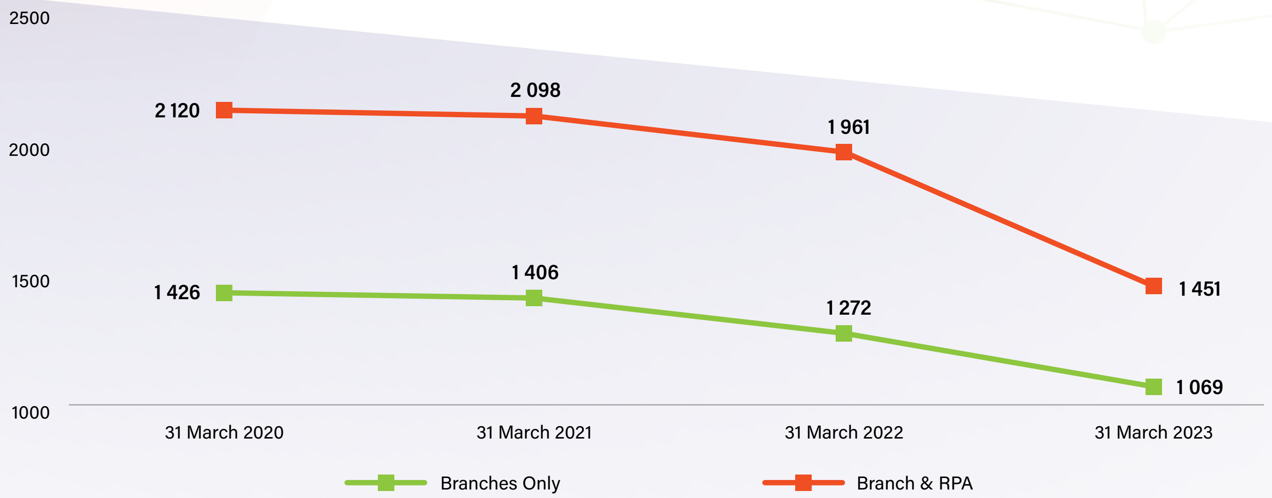


OPTIMISED ASSET AND INFRASTRUCTURE

Operations Footprint - Competitive Advantage

Post Office by type and RPAs - 31 March 2023						
Description	**Post Office**	**Postpoints**	**Transportables**	**Mobiles**	**RPA's**	**Total**
Total	1 021	31	13	4	382	1 451
PO Only	**1 069**					

The graph below indicates the retail outlet footprint from 2020 to 2023:



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

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

PROPERTY INFRASTRUCTURE PROGRAM

No sites were refurbished / renovated by the Properties division during the 2022/23 FY. Property maintenance was undertaken internally by SA Post Office staff, only materials had to be purchased.

Addressing

A GIS portal was put in place for internal use and it is envisaged to be accessible externally in the new 2023/24 FY. With the realigned focus to geo-referencing and uploading o addresses to the national address database, good progress was made with approximately 306 000 addresses being geo-referenced during the 2022/23 FY.

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

LOGISTICS CENTRE

Logistics Optimisation

Logistics capability is a critical enabler for the effective and efficient movement of postal items. As at 31 March 2023, the logistics fleet comprised of 154 vehicles as compared to 366 vehicles at 31 March 2022. The reduction in vehicle fleet has required that national line-haul be reorganised to run on 18 routes.

The Logistics division has adopted a hybrid model to service the organisation:

- Leased vehicles
- Panel of service providers and
- Owner driver

As indicated, the SA Post Office currently leases 154 vehicles and 1 uses mail panel service provider, together with volunteers (Owner Drivers). A panel of service providers for line haul has also been introduced and are contracted for 3 months at a time. This assists with maintaining the cost of moving mail lower, as the panel are competing on a market price value. Currently 1 service provider services both national and regional line haul.

As part of the modernisation and digitalisation of the Post Office of tomorrow turnaround strategy, the Logistics division will provide tailor-made logistical solutions by creating convenience to both its customers and partners.

Convenience to customers will include the availability and visibility of tracking, service quality and introducing a paperless environment.

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

eCommerce

Logistics made progress in the fulfilment of the last mile, clearing, warehousing and delivery of eCommerce products and services. Agreements were reached with some suppliers to increase parcels delivery opportunities. The Customs Declaration System (CDS) and upgraded International Postal System (IPS) has strengthened the technology backbone to operate in the eCommerce space

Migration to the IPS and CDS cloud is in progress and is expected to be finalised during 2023/24 FY. This migration is envisaged to assist in among other things, keeping up with the application versions used, and alleviate the need for related SA Post Office infrastructure refresh.

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

The relocation of the Johannesburg International Mail Centre to Germiston took place after the period under review.

Digitalisation & Modernisation

Digital Terrestrial Television (Broadband Digital Migration Project)

The registration of qualifying households for the Broadcasting Digital Migration Programme (BDM) continued in all provinces. During the 2022/23 FY, a total of 403 092 qualifying households were registered. As at the end of March 2023, a total 422 245 Set Top Box (STB) kits were issued for the 202/23 FY.

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Building Capacity & Capability

Due to delays in mail processing, backlogs and carry overs accumulated during load shedding, together with financial challenges which resulted in the withdrawal of the delivery fleet, closure of branches and a lack of tools of trade, the achievement of the regulated ICASA mail delivery standard was not achieved. Performance was recorded at 51.62% against the regulated target of 92%.

The achievement of the domestic and international courier delivery standard also was not achieved with domestic measuring recorded at 46.8% and international performance recorded at 39.1%. The performance was affected by the shortage of vehicles, limited funding for airline services, and low scanning performance.

The target of 100% resolution of customer complaints seven days was not attained for the 2022/23 FY. The percentage of compliance could not be determined accurately due to the Remedy System being unavailable. The system is being restored and data integrity is being verified.

Customer complaints and the response to these remain a key indicator of the level of customer satisfaction and the quality of service provided. The remedial actions implemented to manage complaints from customers are continuously monitored and managed at Head Office (Call Centre Management) and from across all Regional offices (Regional Sales Managers & Regional General Managers).

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

Customer Experience

Re-engagement with employees is critical to achieve quality customer experience. There are several factors that affect the customer experience which include employees outside the Call Centre failing to take responsibility for their work areas thus affecting average speed of response towards customer demands. This is being addressed by quality circles from within the Mail Business Operations and corrective action by management on all escalated complaints.

The level of post box renewals is very low and is being addressed by realigning and placing them in more convenient locations.

The reliability of the postal service is a key factor determining the customer experience, which is of utmost importance to ensure financial sustainability of the organisation going forward.

Mail delivery driver

Operations Footprint

CENTRAL REGION (FREE STATE & NW)

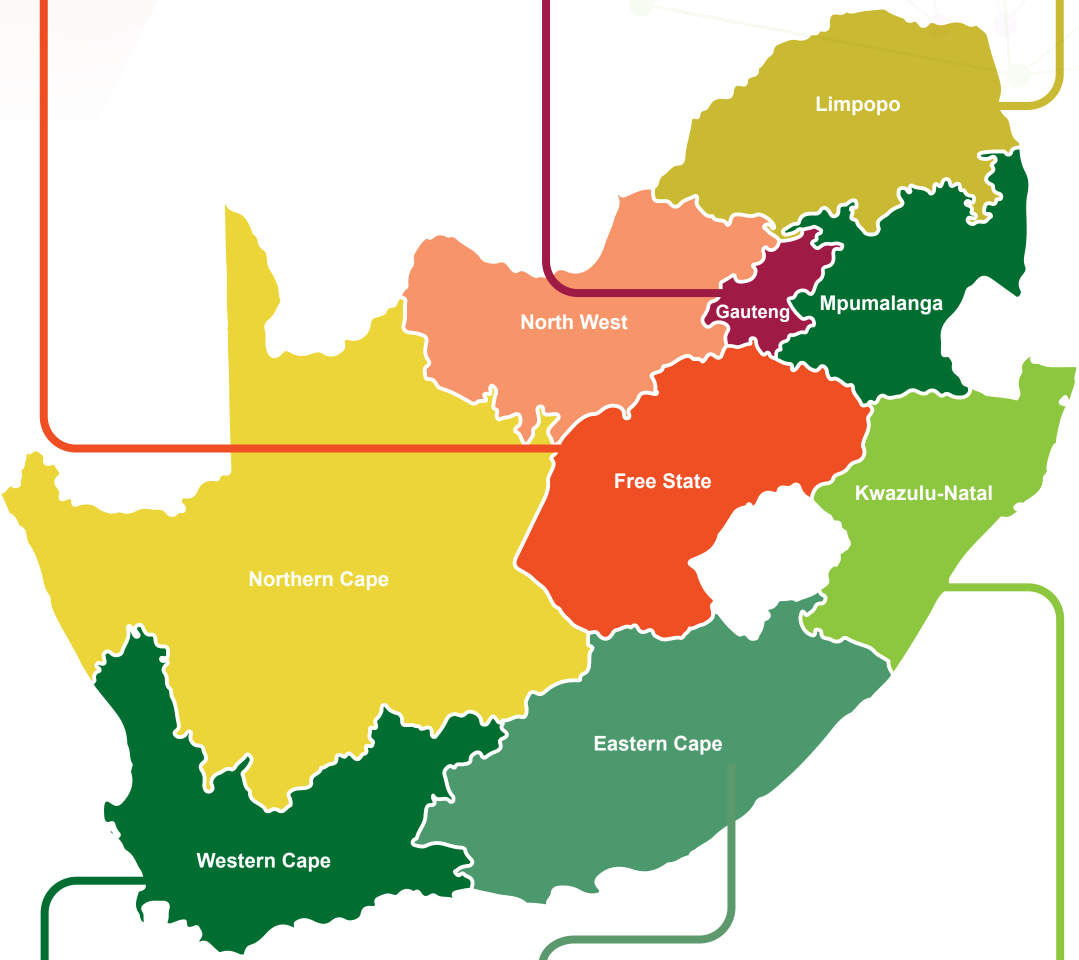
- Retail outlets: 187
- Retail Agencies: 19
- Mail Centre: 5
- Delivery Depots: 37
- Fleet: 17

GAUTENG REGION (GAUTENG PROVINCE)

- Retail outlets: 129
- Retail Agencies: 3
- Mail Centre: 4
- Delivery Depots : 101
- SCM Warehouse: 1
- Fleet: 66

NORTH REGION (LIMPOPO, MP & TSHWANE)

- Retail outlets: 281
- Retail Agencies: 212
- Mail Centre: 3
- Delivery Depots: 50
- Fleet: 28



WESTERN REGION (NC & WC)

- Retail outlets: 166
- Retail Agencies: 29
- Mail Centre: 5
- Delivery Depots: 50
- SCM Warehouse: 1
- Fleet: 626

EASTERN REGION (EC PROVINCE)

- Retail outlets: 167
- Retail Agencies: 20
- Mail Centre: 3
- Delivery Depots : 41
- Fleet: 10

KZN REGION (KWAZULU NATAL)

- Retail outlets: 139
- Retail Agencies: 74
- Mail Centre: 4
- Delivery Depots: 36
- SCM Warehouse: 1
- Fleet: 7

Information Technology

INTRODUCTION

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

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

This report aims to highlight the successes as well as the challenges of the SA Post Office IT unit for the 2022/23 FY.

OVERVIEW

The IT unit has been faced with serious skills shortages and a high vacancy rate for a number of years and 2022/23 FY was no exception.

The high vacancy rate is as a result of multiple resignations as well as the VSP programme, and requires the cross-skilling or upskilling of current resources into new roles. This is unfortunately not possible in all areas within the IT environment due to the required competency certifications and specialisation requirements.

Recruitment efforts have been hampered by the lack of funds and a moratorium on appointments. The IT vacancy percentage is currently at 68%.

IT OPERATIONS AND INFRASTRUCTURE

The state of the IT infrastructure on branch and datacentre level remains a serious risk to the organisation. With the exception of the IT network upgrade, there has been no significant investment in IT Infrastructure in the past 11 years. The National IT Service Desk have been operating without tools of the trade for a few years which impacts service delivery negatively.

Branch Infrastructure

The system used at SA Post Office branches is mainly the Web Riposte (WRE) Point-of-Sale (POS) solution. This system is locally installed on workstations and various issues impacts the availability of the service in offices daily. The most prevalent issue is the outdated, unsupported POS terminals. Systems in offices experience a number of failures on a daily basis and these are repetitive in nature. Power failures and load-shedding have a harmful effect on the old outdated hardware and application software – causing hard-disk failures and file system corruption. These render the workstations inoperable. The IT incident management process is followed, incidents are logged and the resolution of these issues daily are reactive in nature.

Incident analysis for the 2022/23 FY reveals that 27% of incidents logged by branches were for hardware (screens and base units). These hardware failures require parts to be replaced. Due to the age of the POS terminals, replacement parts are no longer available and can only be serviced through the use of refurbished parts and equipment where possible. Effective response to hardware failures is impacted by lack of spares and lack of funding.

A further 15% of calls logged are related to Pinpad failures. These failures result from the corruption of configuration files due to aging hardware. Branches cannot operate effectively with the high rate of hardware failures. The POS hardware refresh is a very high priority in the 2023/24 FY.

Desktop Infrastructure

The current desktop environment consists of a variety of makes and models which makes standardisation and support extremely difficult. The Operating System software ranges from Windows XP to Windows 10 – due to old historical applications and outdated pc and laptop hardware. Most laptops are slow and have limited hard-drive space with no battery power. Due to the age of hardware, parts are also no longer available.

The constrained funding hampers the replacement and refurbishment of components. Most assets have a zero asset value and are to be written off, however due to the financial constraints are still in use.

Availability of printing is currently a major issue. This not only affects the Desktop environment, but also the Point of Sale branch environment. The lack of paper and toner cartridges also contribute to the printing challenges.

Datacentre Operations

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

The hosting facilities (Datacentres, including Trust Centre) require urgent upgrading. This include environmental components like centralised air conditioner, UPS, generator, plumbing, and electrical reticulation.

The IT strategy in this regard will be to lift and shift the current equipment to a different hosting facility to allow for the upgrading of the current Datacentre to a Tier 3 hosting facility. Cloud hosting is also considered for cloud ready applications. The 2022/23 FY was mainly used for strategic direction, various procurement approaches and failed procurement attempts. We are confident that the latest proposals in this regard will yield positive results in the 2023/24 FY.

IT Network

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

The project scope included migration from old diginet (copper) technologies to fibre and the replacement of old obsolete unsupported network equipment. The network upgrade project and 5 year support and maintenance contract ended December 2022, however a 12 month extension was granted until December 2023.

This project is a contributing factor towards maintaining SA Post Office network uptime at 98%, and will ensure that customers and employees are able to transact, thereby improving customer satisfaction and reliability of services.

IT Governance, Risk and Compliance and IT Security

Despite the increasing number of challenges faced by SA Post Office IT, the IT security tools and technologies in use by SA Post Office managed to hold its own in the constantly changing and increasing threat landscape. This status quo cannot be maintained indefinitely and provision has been made for an updated IT Security Architecture and associated strategy for the new financial year.

The challenges experienced as well as the outdated and legacy operating systems, databases and applications has a negative impact on the ability of SA Post Office IT to address audit findings raised by both internal and external auditors. Mitigating controls, mostly manual, has been implemented as far as possible and is managed accordingly.

The IT Risks are constantly reviewed and inputs provided to the overall SA Post Office Risk Register. The IT Policies, that include IT Security Policies, were updated, reviewed and subsequently approved by the SA Post Office Board of Directors.

IT INITIATIVES

Enterprise Application Integration and Modernisation

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

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

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

Supporting Post Office of Tomorrow Strategy

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

On-boarding eCommerce Clients for Logistics

SA Post Office IT have successfully implemented an International Parcels System, owned and supported by UPU as a building blocks towards eCommerce capability. The integration capabilities of this system resulted in the on-boarding of various eCommerce partners. These includes, amongst others, Wish.Com, Mail Americas, Signature Mail, ICE, and CNE.

Corporate KPIs and IT Initiatives

A number of key projects were identified as part of the corporate KPIs towards the Modernisation and Digitalisation efforts of SA Post Office. All of the identified projects was aligned to the Post Office of Tomorrow Strategy as well as to manage some of the inherit risks identified in the IT Infrastructure. Amongst these were ITSM (Remedy Service Management) to be implemented as Software as a Service, GPC (Government Private Cloud Hosting) and the Lift and Shift of the SAPO Data Centre.

Business projects such as the POS Hardware and Software upgrade and the replacement of the tools of the trade (Desktops and Laptops) were added to the list of projects. The establishment of an eCommerce Mall and the SAPO Trust Centre as an Authentication Authority were also identified as corporate targets.

The majority of the projects progressed up to the procurement phases, where challenges such as funding have delayed further progress.

The eCommerce Mall project was delayed but has re-commenced in the new financial year. This is expected to provide SA Post Office with the ability to add SMMEs to the market place where SA Post Office will fulfil the delivery role and due for implementation in 3rd quarter of 2023/24 FY.

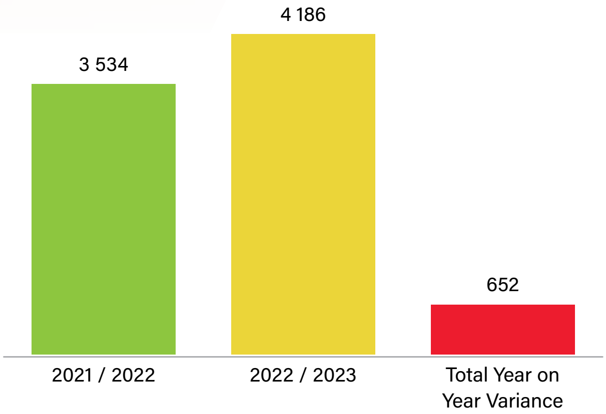
The other KPI measured was on Top 10 key systems uptime at a service level of 98%. Due to power supply challenges experienced at the Data Centre this target was not achieved for the 2022/23 FY.

Security and Investigation Services

INTRODUCTION

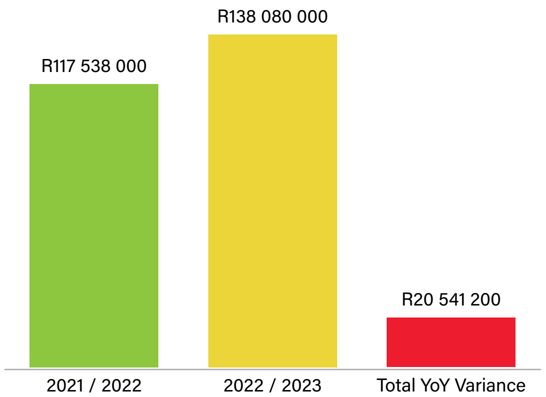
During 2022/2023 the SA Post Office continued to experience acts of criminality that is mainly attributed to social grant payments undertaken at its branches. The social grant payments necessitated high cash volumes at outlets. In comparison to 2021/2022FY, reported incidents increased by 652 (16%) - from 3 534 to 4 186 incidents.

National Overview of Reported Incidents



In comparison to 2021/2022FY, the reported loss increased by R20.5m (15%) – from R117.5 million to R138 million.

National Overview of Reported Loss



There has been a notable increase in fraud related incidents, an increase of 860 incidents and an increase in the reported loss amounting to R42.4 million.

Violent Crime Overview

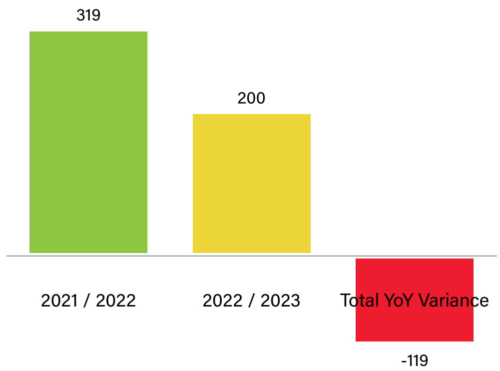
During 2022/2023 FY, the SA Post Office branches experienced 794 armed robberies and business burglary incidents with a total reported loss of R45.4 million – a 17% (167) decrease in incidents and a 30% (R19.3 million) decrease in reported loss.

The decrease in the number of violent crime incidents is attributed to the suspension of SRD payments at SA Post Office branches with effect of 1 May 2023 which brought about a reduction of cash delivered to and held at branches.

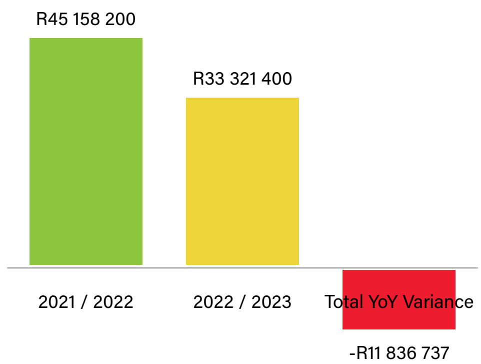
In comparison to 2021/2022FY, armed robberies:

- Decreased by 119 incidents (37%) – from 319 to 200
- Decreased by R11.8 million (26%) – from R45.1 million to R33.3 million

Armed Robbery Incidents

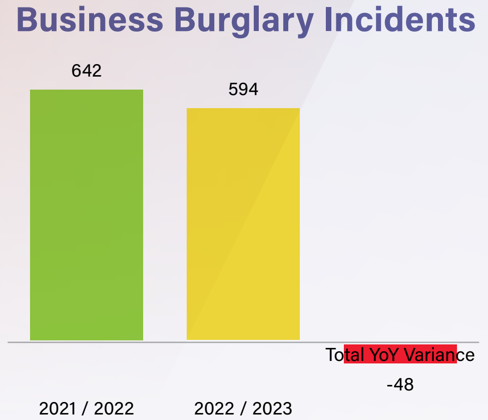


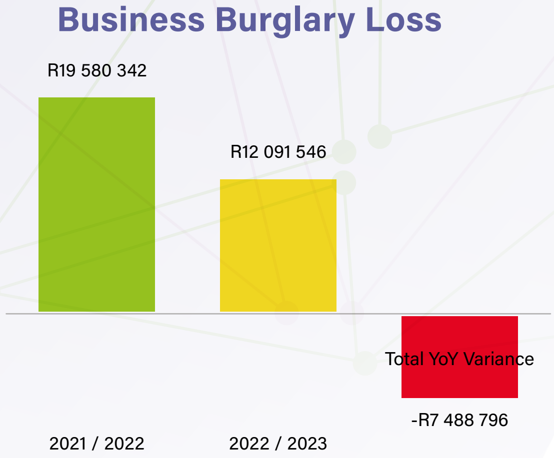
Armed Robbery Loss



In comparison to 2021/2022 FY, business burglaries:

- Decreased by 48 incidents (7%) – from 642 to 594
- Decreased by R7.5 million (38%) – from R19.5 million to R12.1 million

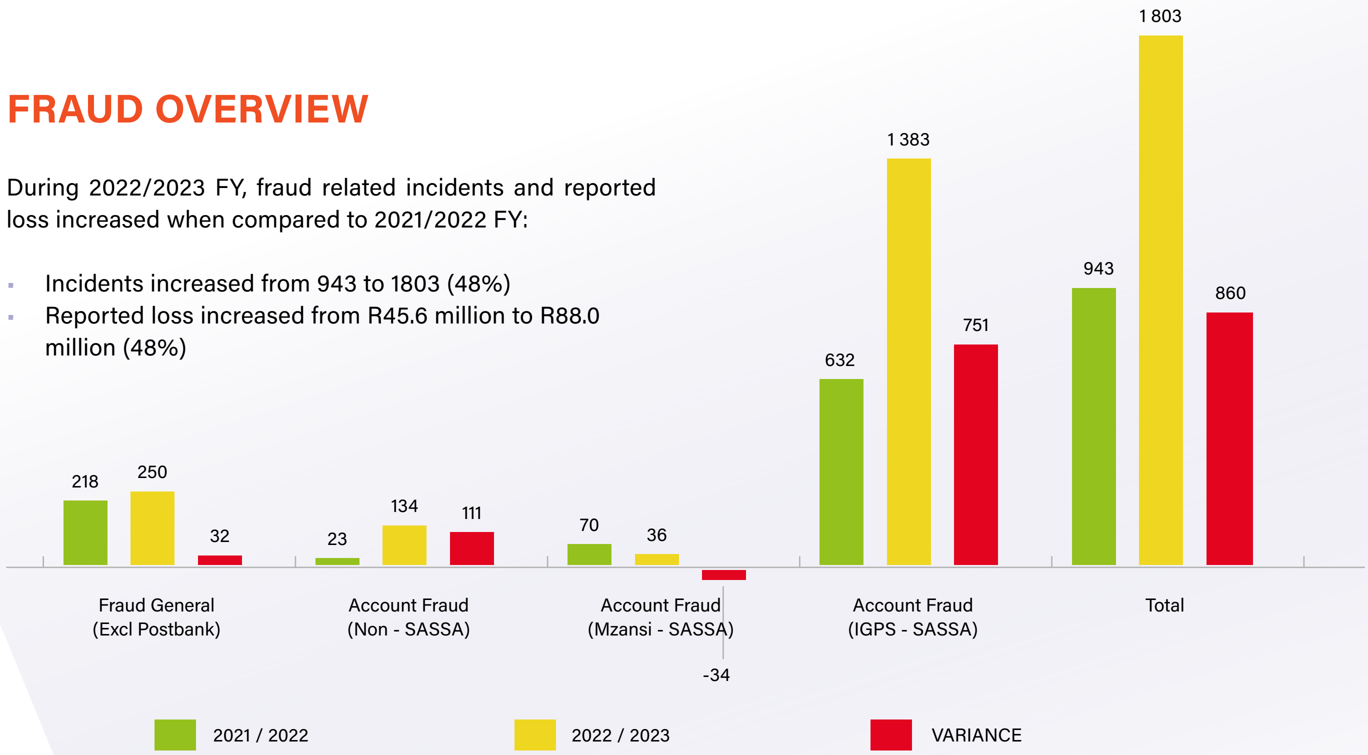




FRAUD OVERVIEW

During 2022/2023 FY, fraud related incidents and reported loss increased when compared to 2021/2022 FY:

- Incidents increased from 943 to 1803 (48%)
- Reported loss increased from R45.6 million to R88.0 million (48%)



Supply Chain Management

The Supply Chain Management (SCM) unit comprises of the following units:

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

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

PROCUREMENT

During the 2022/23 FY, The SA Post Office expended approximately R1.2 billion in procuring goods / works and services, excluding statutory payments. Procurement at the SA Post Office encompasses small / low value, individual purchases of commodity items through to complex high value, high risk contracts.

Procurement reaches and affects every facet of the SA Post Office activities' and plays a crucial role in meeting the financial challenges the organisation faces. The effectiveness of how procurement is undertaken and how suppliers perform in delivering on these procurement contracts, affects the quality of service our customers receive and also has an impact on local businesses and stakeholders.

As a State Owned Company, the SA Post Office is required to comply with National Treasury Procurement Legislation which places legal requirements on the way procurement is undertaken and performed. Whilst National Treasury Procurement Legislation may limit flexibility of procurement, it in no way, alters the necessity for procurement to make a significant contribution to delivering financial benefits and value for money on the goods, works and services procured.

As at 31 March 2023, there were 66 valid procurement contracts, with the highest value contracts being in Security Services and Information Technology units. The SCM strategy for 2022/23 FY was to review all contracts to ascertain the value they add to the organisation, however was not performed due to a lack of skilled resources to perform this exercise.

SUPPLIER MANAGEMENT

Supplier Management supports the SA Post Office Group procurement strategies by identifying and selecting operationally capable and financially sustainable suppliers.

Supplier Management is tasked with managing and coordinating supplier development initiatives, introducing SMMEs and BEE enterprises into the SA Post Office procurement. It also oversees the mitigation of supplier risk and monitors adherence to procurement and related legislation.

For the financial year 2023, the SA Post Office has allocated 21% of its annual procurement spend on companies that are 30% owned by black women.

GOVERNANCE

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

SCM LOGISTICS

SCM Logistics is responsible for inventory management of saleable - (60%) and consumable stock (40%). Inventory is currently centralised in the SA Post Office premises in Silverton, Pretoria.

Going forward the strategy will be to decentralise the warehousing of inventory, especially the consumable stock so as to improve the customer service levels and to promote regional local procurement. SCM started with the Eastern Cape and KZN regions in piloting regional warehousing, however has been put on hold due to financial constraints. The disposal of moveable assets that have been written off in accordance to DOA also resides within this unit.

International Relations and Participation

Government Relations

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

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

Building relationships with Government has become not only a necessity but a key strategic objective for businesses throughout the world. This requires understanding the concept of government relations, political understanding and the dynamic nature of political and parliamentary relations.

Parliamentary Relations

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

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

INTERNATIONAL ENGAGEMENTS

The SA Post Office's participation within the international space is guided by the framework of the Government's White Paper on International Relations.

The SA Post Office's active participation in international postal organisation fulfils the international obligations as contained in Section 21 of the SA Post Office License.

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

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

Universal Postal Union (UPU):

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

Pan African Postal Union (PAPU)

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

Southern African Postal Operators Association (SAPOA)

The organisation represents a collaborative and cooperative forum for 14 member postal operators. The members correspond to the Southern Africa Development Community (SADC) member countries.

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

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

Currently SA Post Office is heading two major positions within SAPOA:

- Chair of the CEO's forum, chaired GCEO of the SA Post Office
- Chair of the Operators Directors of SAPOA, chaired by Head of Logistics

Conference of Commonwealth Postal Administrations (CCPA)

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

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

International Participation during 2022/23FY

As the implementing agent of South Africa for the Universal Postal Convention, the SA Post Office is mandated to fulfil the country's international obligations. This delivery is coordinated by the Universal Postal Union (UPU) on a global scale, and by the Pan African Postal Union (PAPU) and Southern African Postal Organisation Association (SAPOA) on a continental scale. This coordination begins with setting standards for interoperability that match prevailing market trends. Thereafter, these intergovernmental agencies monitor compliance with these standards.

Scoring 38.7 out of 100 points on the postal development index, South Africa is ranked at level four on the consolidated postal maturity measurement, out of a possible ten levels.

Level four countries are approaching the level of maturity necessary to adequately serve their current and potential customers. In an effort to increase the postal maturity of South Africa, the SA Post Office drew on the vast experience and expertise of these international multilateral institutions, as encapsulated in the World Postal Strategy.

In an effort to increase compliance points, the SA Post Office participated in the UPU and PAPU technical groups and task teams. International participation was necessary to increase post-pandemic mail volume by improving the Integrated Product Plan (IPP) offering. Furthermore, the rapid changes in the regulatory environment, such as the Act of America and the European Import Control System (ICS2), dictated technology upgrades to transmit advanced electronic data exchange. Non-compliance would result in South African exports being denied access to these markets.

After the Universal Postal Union adopted the Abidjan Postal Strategy, the SA Post Office continued with delivering the commonly developed programmes, including the Operational Readiness for Ecommerce (ORE). The aim of ORE is to develop the postal capability to effectively and efficiently fulfil customer deliveries that come through its online channels. This includes developing people, processes, technology and facilities to be able to handle all aspects of the eCommerce logistics.

The SA Post Office played a pivotal role in South Africa's active lobbying efforts on the controversial issue of opening up the Universal Postal Union (UPU) to a wider range of postal sector players.

South Africa adopted a policy stance that the opening up to non-postal players should be done gradually, on a risk-based basis that protects designated operators and citizens. This is the main topic of the 2023 UPU Extraordinary Congress in Riyadh, Saudi Arabia, under the theme of "The Future of the Postal Sector: Innovation and Transformation".

Postal Financial Services was another focus area. The SA Post Office is eager to increase volumes in the fourteen existing cross-border corridors and increase south-south corridors. To mitigate the challenges that come with large money flows, the postal sector required consensus on regulating anti-money laundering and combating the financing of terrorism. Therefore, it was critical to send South African experts to ensure that South African laws are integrated into postal industry standards and subsequent systems that facilitate money transfer.

It is worth noting the trust given by peers, South Africa through SA Post Office employees serve as chairperson of Operations Directors' Committee of Southern Africa and deputy chairperson for two continental committees on Remuneration and Digital Transformation.

Cape Town International Stamp Show

The SA Post Office participated in the Cape Town International Philatelic Exhibition under the umbrella of Fédération Internationale de Philatélie (FIP). The exhibition was held at the Cape Town International Convention Centre from 8 – 12 November 2022.

The former President of the Republic of South Africa, Mr Kgalema Motlanthe was the Chief Patron and the Deputy Minister of the Department of Communications and Digital Technologies (DCDT), Mr Philly Mapulane was the representative for the DCDT and Government.

During the exhibition, the Africa Philatelic Conference took place. It was organised by the Universal Postal Union, Pan African Postal Union and the DCDT. The workshop took place over one and a half days. The theme of the conference was Philately: Digitalization and business Model. 17 Highly informative presentations from various postal operators, security printers and philatelic organisations was shared, in which the new digital future of stamps was discussed.

The entrance to the exhibition at the Cape Town International Conference Centre

Meeting philatelic clients, old and young at the Post Office Stand

Groups of School Children visited the Post Office Stand to learn more about the fascinating world of stamps

Philately and Museum

PHILATELIC SERVICES

"Dynamite comes in small packages"; no idiom is more appropriate than this for the description of Philatelic Services.

Philatelic Services is responsible for the design, printing, distribution and sale of postage stamps and postal stationery for the SA Post Office. Philatelic Services is one of the smallest sections of the company. The section has managed to punch above its weight in most instances.

The SA Post Office was placed on the world map when Philatelic Services broke the Guinness Record for the biggest mosaic in 2010. Philatelic Services has also consistently managed to raise the company's profile without incurring expenses through its offerings, its clients and collaboration with a variety of entities and companies including the International Cricket Council, FIFA, South African Defence Force and the International Philatelic Federation.

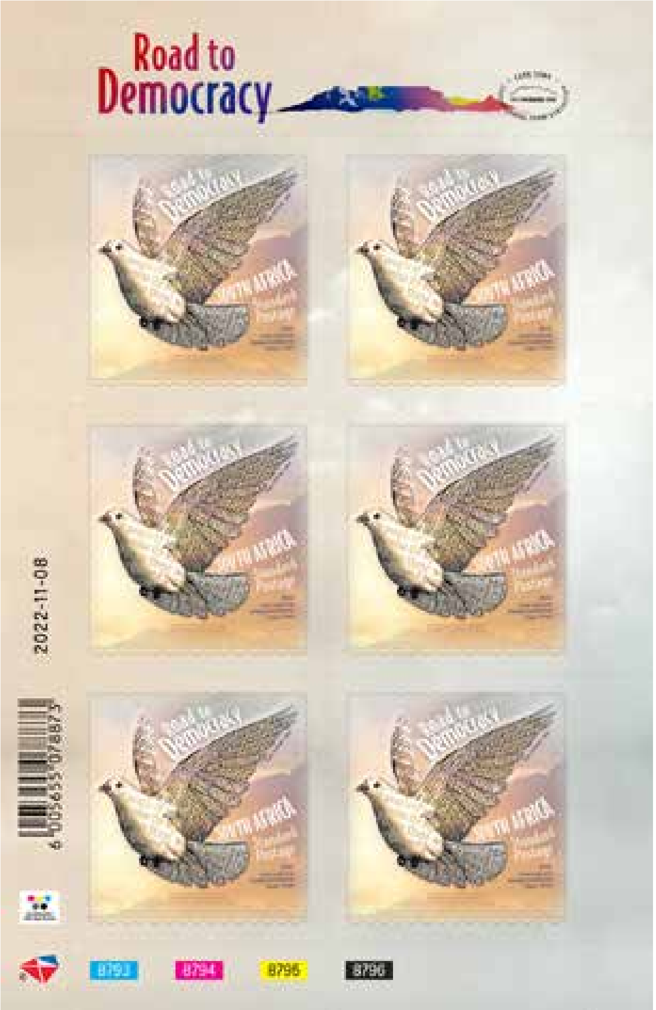
The name Philatelic Services stems from Philately, which is the hobby of collecting and studying stamps and related material. Our postage stamps have been collected since 1853 when the first stamp for South Africa, 'The Cape Triangular' was issued at the Cape of Good Hope. All the stamps ever issued are archived and available.

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

Postage stamps provide an unlimited glimpse into a country, albeit on a small canvas. They capture the spirit thereof showcasing its history, geography, people, fauna and flora and culture. Philatelic Services produces stamps for the general public and collectors alike. Members of the public are encouraged to submit proposals for stamp themes. Stamp themes are to have a positive focus and preferably commemorate significant South African anniversaries such as 50 years, 75 years, or deceased heroes of the country and even important international events due to take place in South Africa.

Stamp news and stamp show

Stamp collecting is a hobby that satisfies the human need to gather or even to hoard goods, the upside being that stamps are beautiful works of art, small, easy to store and the collection is definitely worth bragging about. Stamp shows and stamp clubs present the opportunity for learning about stamps and for stamp display.



Road to Democracy First Day Cover (left) and Stamp sheet (above)

The South African Post Office together with the Department of Communications and Digital Technologies was able to participate at the International Stamp Show held at the Cape Town International Conference Centre from 8 to 12 November 2022. The stamp show was organised by the Philatelic Federation of South Africa under the banner of the Fédération Internationale de Philatélie (FIP). Former President of South Africa, Mr Kgalema Motlanthe was the patron of the show.

The 'Road to Democracy' stamp was issued at the show. The stamp was the only one issued in 2022 and there is still a backlog on stamp issues. Philatelic Services staff assisted with the exhibition by the South African Post Office Heritage Centre/Museum. School children from different parts of Cape Town visited the show to learn about stamps.

Presentations

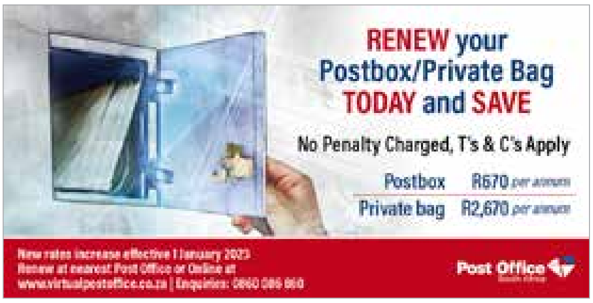
Two Philatelic Services staff members attended a workshop organised by the Pan African Postal Union (PAPU) and made a presentation on the survey done to gauge interest in Crypto stamps at the stamp show. The presentation was well received.

Philatelic Services also made a presentation on philately of the future and crypto stamps at the University of Pretoria.

Services to SA Post Office

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

- Updates on Post Box Renewal social media banners



- eRegistered platform campaign

- Rates Brochure 2023-2024 – Front cover design options
- Word and PowerPoint templates

- Annual Report 2022.

SA POST OFFICE MUSEUM

Responsible for the preservation of the South African Post Office's institutional memory and South Africa's philately heritage.

The South African Post Office Museum is the only postal museum in South Africa and curates the philately collection of South Africa and is dedicated to the preservation, study and presentation of postal history and philately using exhibitions, educational programmes and research to make this special history available to scholars, philatelists, collectors, post office employees and visitors from around the world.

On 2 March 1792 the Acting Governor of the Cape, Johan Isaac Rhenius, opened a post office in a room next to the pantry at the Castle in Cape Town. This was the start of what became the South African Post Office.

The Cape Triangular is the first postage stamp that was issued in South Africa on 1 September 1853 and the first triangular stamp in the world. It was designed by Charles Davidson Bell.

The International Philately Exhibition 2022 was held in Cape Town in November 2022 and two exhibitions from the Museum were displayed by invitation in the Court of Honour. The exhibitions were SA Post Office: South Africa's History as reflected by its stamp archive, and Commemorating Democracy in South Africa. The exhibitions were well received and enjoyed by local and international visitors.

Helen Suzmann, 2017

Winnie M-Mandela, 2017

Albertina Sisulu, 2018

Inaugural stamps

President
N Mandela, 1994

President
T Mbeki, 1999

President
K Mothlante, 2009

President
C Ramaphosa, 2018

President J Zuma, 2009

Docex Managing Director's Overview

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

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

The current economic landscape and digitisation has continued to add vast pressure on the Docex revenue line; nonetheless emphasis was placed on optimising costs in order to maximise profits.

The Advanced Electronic signature was launched towards the middle of the 2022/2023 FY and it is expected to gain traction during the 2023/2024 FY.

DOCEX FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2023

Revenue for the year decreased marginally from R34.0 million in the prior year to R32.7 million in the current financial year, attributable to a decrease in member subscriptions Excess weight and Bar Code Rolls revenue which are demand driven, were higher than prior year performance.

Operational expenditure for the current year is higher when compared to prior year, driven by higher delivery expenses representing 18.68% increase from prior year. However current year total expenditure was below budget. Increased operational expenditure of R1.9 million resulted in a reported loss for the year of R1.7 million. Excluding the overspending driven by increased delivery expenses of R1.2 million, the net position would have been a marginal net profit for the current financial year of R0.2 million.

Financial Indicators

- Net asset position of R17.8 million
- Cash and investment reserves of R22.6 million
- Quick asset ratio at 1.96, marginally improved compared to prior year at 1.79, indicating Docex's ability to pay its current liabilities when due
- Current liabilities decreased by 18.86% from prior year
- Current assets decreased by 11.40% from prior year
- Docex's ability to cover its short-term debt as it falls due remains intact

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

I would like to extend my appreciation to the Docex Board of Directors as well as to the SA Post Office for their continued support.

Dina Lume
Managing Director, Docex PTY(Ltd)

THE DOCUMENT EXCHANGE (PTY) LTD OPERATIONAL PERFORMANCE

Performance Overview

Service Delivery Environment

Revenue is lower than budget by 18% (R5.8 million), and marginally down by 2% against prior year (R1.2 million) due to a reduction in the signing up of new members and an increase in cancellations of existing members subscriptions.

Revenue continues to be under pressure due to a downturn in economic activity.

Subscription revenue was lower by 3.6% compared to prior year as it continues to be the main driver of revenue, contributing 80% of total revenue generated. Bar code rolls revenue decreased by 7.08% whilst excess weight revenue increased by 6.18%.

Property expenses have continued to reduce due to more economically sourced office space in the main centres, and improved negotiated prices for the renewal of leases.

Organisational Environment

A number of other key positions have remained vacant during the 2022/23 FY. Staff numbers remained at 59 for the 2022/2023 financial year.

Strategic Outcome Oriented Goals

Performance Information

Strategic Objectives, Key Performance Indicators planned targets and actual achievements.

The Document Exchange Pty Ltd (Docex) is a subsidiary of the SA Post Office which provides for the secure collection and delivery of confidential documents. The strategic objectives over the 2022/23 FY considered four key strategic objectives focusing Docex on setting the foundation for its transition into a modern business - and operating model, competing efficiently in a digitised economy, and with revenue generated from its digital service and product revenue streams.

The 4 strategic objectives identified for the Strategic Plan:

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

A total of 9 Key Performance Indicators (KPIs) were set and measured for the 2022/23 FY, aligned towards attaining the strategic objectives.

Performance over 2022/23FY has declined from prior year. KPIs have performed poorly as compared to prior year, with only 3 KPIs achieving 100% of target, and the remaining 6 KPIs not achieving target, resulting in an overall 33% achievement of the set KPI target.

The performance of Docex has been adversely affected by the organisational performance of the SA Post Office.

Strategic Objectives	Planned Target	Number Achieved 100%	100% Achievement	Number achieved 80% - 99%
1. Financial Sustainability	4	1	25%	1
2. Digital Transformation	2	1	50%	0
3. Operational efficiency	2	1	50%	0
4. Corporate Governance	1	0	0%	0
Total	**9**	**3**	**33%**	**1**

Financial Sustainability

This strategic objective is focused on retaining current - and diversifying revenue streams. Docex is a secure distribution service provider to a niche group of customers who frequently send and receive confidential documents. Currently Docex enjoys a dominant market position within this niche segment, particularly within the legal industry, and is positioned within the letter and parcel distribution sector. Docex has a strong market advantage which is enabled by a large closed loop national distribution network, its subscription-based product model and unique back office access at selected South African courts.

To date Docex has not had a direct competitor which has further contributed to its dominant position. The dominant position Docex currently holds within the secure document distribution market is however under threat and is currently facing increasing vulnerability to digital alternatives and new market competitors.

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

Digital Transformation

The strategic objective focuses on the development of an integrated service delivery platform, and considered 2 KPIs, source a digital certification and signature solution and launching the legal document digital platform (eDocex). The sourcing of a digital certification and signature solution KPI was achieved whilst the launching of the legal document digital platform (eDocex) KPI was not achieved due to the delay in implementation of the SA Post Office Trust Centre.

The Digital Transformation for Docex remains key to its continued future sustainability and relevance. For the 2023/24 FY, the implementation of the eDocex platform has remained as a KPI.

Operational Efficiency

This strategic objective focused on improving the effectiveness of the Docex business processes and operational environment. The strategic objective comprised of 2 KPIs, which considered the mail delivered within 15 minutes prior or post scheduled delivery time and customer queries resolved within 72 hours. From the 2 KPIs, customer queries resolved within 72 hours did not achieve its target with a 13% variation on target.

Corporate Governance

The strategic objective considered 1 KPI by way of improving the audit outcome as issued Audit Opinion by the Auditor General for the 2022/23 FY. The target was not achieved as in the prior year, Docex also received a qualified audit opinion as issued by the Auditor General. Work will continue to address audit matters with a view of improving the audit outcome for the 2023/24 FY.

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

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Actual Performance and Reason for Target Variance/Deviation
1. Financial Sustainability	To be financially sustainable and achieve a positive net financial and cash position	1.1	Growth in revenue from previous FY	14%	-4%	-18%	Not Achieved	Total operating revenue of R32.7m was generated for 2022/23 FY against a prior year target of R34.0m. The reduced revenue compared to prior year was due to an increase in service cancellations by members, without a significant increase in the signing up of new clients.
		1.2	Retention of subscriber base as at 31st March 2022	100% (2059)	91% (1882)	9%	Not Achieved	Due to the current economic conditions existing members are either cancelling, downgrading or placing their subscriptions on hold. There were 177 members who cancelled membership YTD, representing 9% decline.
		1.3	Remain within the allocated cost budget	R39.8m	R35.8m	R4m	Achieved	Expenditure was slightly lower compared to budget, transport costs remained the main driver to overall costs.
		1.4	Increase net profit position from 31 March 2022	7%	-5%	-12%	Not Achieved	Due to an increase in transport and personnel expenditure, combined with an overall decrease in revenue, the net position is a loss.
2. Digital Transformation	Integrated service delivery platform	2.1	Source a digital certification and signature solution	Launch a digital certification and signature solution	Completed	N/a	Achieved	The launching of digital certification and signature solution was completed in line with the KPI target.
		2.2	Launch the Legal Document Digital Platform (eDocex)	Platform launched into the market	Platform not launched	Platform launched into the market	Not Achieved	The Advanced Electronic Certificates is a critical component for the eDocex Electronic platform. As a result there is a large dependency on the SA Post Office Trust centre for the Advanced Electronic Certificates, as these certificates need to be embedded in the platform. Due to the delay in the upgrading of the SA Post Office Trust Centre the target for the year was not met.

Objective	Goal	KPI Ref	Key Performance Indicator	Annual Performance				
				Target	Actual	Variance	Achieved/ Not Achieved	Actual Performance and Reason for Target Variance/Deviation
3. Operational Efficiency	Improving the effectiveness of the Docex business processes and operational environment	3.1	% customer queries resolved within 72hrs	96%	83%	-13%	Not Achieved	The target was not achieved due to delay in movement of bags, especially to the remote areas. Some of the exchanges only received delivery once to twice a week and as a result the queries were only resolved after 48 hours.
		3.2	% of mail dispatched by 9h00	90%	91%	1%	Achieved	The mail delivery standard to members has increased due to the hiring of vehicles which enabled Docex to exceed the target.
4. Corporate Governance	Strengthened organisational governance with well entrenched and consistently applied governance principles.	4.1	Improve the Audit Outcome for FY 2022/2023	Unqualified Audit 2022/23	Qualified Audit 2022/23	Unqualified Audit 2022/23	Not Achieved	The annual target was not achieved, and as in the prior year, Docex also received a qualified audit opinion as issued by the Auditor General.

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

SA Post Office Subsidiaries

Courier Freight Group (Pty) Ltd

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

The company recorded a net profit after tax for the year ended 31 March 2023 of R 10 990 104 (2022: R5 581 074).

The Document Exchange (Pty) Ltd

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

The company recorded a net loss after tax for the year ended 31 March 2023 of R1 671 046 compared to the net profit of R120 329 for the prior year (2022). Company revenue decreased by 2% from R34 023 761 in the prior year to R32 780 204 for the year ended 31 March 2023.

SAPOS Properties (East Rand) (Pty) Ltd

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

At 31 March 2023 the company's investment property amounted to R50 511 746 (2022: R45 013 500), of which R5 498 246 was increased through fair value of the property (2022: R5 762 346 reduction in fair value).

SAPOS Properties (Bloemfontein) (Pty) Ltd

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

At 31 March 2023 the company's investment property amounted to R6 118 742 (2022: R3 535 840), of which R2 582 902 was increased through fair value of the property (2022: R 2 048 850 reduction in fair value).

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

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

At 31 March 2023 the company's investment in property amounted to R19 409 860 (2022: R23 117 000), of which R3 707 140 was decreased in the fair value of the property (2022: R5 966 515 increase in fair value).

SAPOS Properties (PE) (Pty) Ltd

The company was incorporated on 28 December 1967 and obtained its certificate to commence business on the same day. SAPOS Properties (PE) (Pty) Ltd was incorporated in South Africa with interests in the rental of property sector. The company operates in South Africa. The investment property was categorised as held-for-sale at year end.

At 31 March 2023 the company's investment in property amounted to R0 (2022: R4 500 000) after R4 850 000 was transferred to assets held-for-sale and includes R350 000 increase in fair value of the property (2022: R2 074 242 increase in fair value).

SAPOS Properties (Rossburgh) (Pty) Ltd

The company was incorporated on 28 December 1967 and obtained its certificate to commence business on the same day. SAPOS Properties (Rossburgh) (Pty) Ltd was incorporated in South Africa with interests in the rental of property industry. The company operates in South Africa. The company no longer holds any investment property and the directors have requested ministerial approval for deregistration of the company.

The investment property was classified as held-for-sale during the previous year, since the property was sold at auction in March 2022 for R17 600 000. The consideration for the property has since been received in full and the property transferred to the buyer.

Mail being sorted into mail boxes

Part C: Governance

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

Nadine Gordimer

Church Square Post Office, Pretoria

Introduction

The SA Post Office is a State Owned Company (SOC) with a public service mandate to ensure the provision of universal, accessible, reliable, affordable postal services to the citizens of South Africa. The provision of these services occurs in accordance with the Universal Service Obligations (USO) which is derived from the Universal Postal Union of which the South African Post Office is a member. The SA Post Office is further required to encourage the development of human resources and capacity building within the postal industry, especially amongst historically disadvantaged groups.

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

PORTFOLIO COMMITTEES

The Portfolio Committee on Communications exercises legislative oversight over the SA Post Office through the Executive Authority, the Minister of Communications and Digital Technologies.

The SA Post Office appeared before the Portfolio Committee on Communications on the following matters: the Post Office of Tomorrow Strategy, Quarterly and Annual Performance Reporting; Strategic and Annual Performance Plans. During the reporting period, the SA Post Office also provided replies to Parliamentary questions on various matters through the Office of the Minister.

EXECUTIVE AUTHORITY/ MINISTER

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

THE ACCOUNTING AUTHORITY/ THE BOARD

The Board is the Accounting Authority of the Post Office and has the following duties in terms of the Post Office Act:

The Board

(a) must give effect to the corporate plan of the Post Office contemplated in section 52 of the Public Finance Management Act in order to achieve the objectives of the Post Office;

(b) is the accounting authority of the Post Office;

(c) takes decisions on behalf of the Post Office and gives effect to those decisions;

(d) provides guidance and gives instructions to the chief executive officer concerning the exercise of the functions of the Post Office.

The Annual General Meeting was held on 27 September 2022 2023 where the requisite statutory approvals in terms of the Public Finance Management Act and Companies Act were made.

Board of Directors

COMPOSITION OF THE BOARD

The Board is to consist of not more than 10 non-executive directors and three ex officio executive directors who are the following: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operations Officer (COO).

Mr. Sipho Luyolo Majombozi

(from 01 September 2020 until 25 May 2023)

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

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

Ms. Mavivi Myakayaka-Manzini

(from 01 September 2020 until 22 October 2022)

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

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

Mr. Sipho Nkese

(from 25 October 2019 until 25 May 2023)

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

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

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

Ms. Nondumiso Ngonyama

(from 25 October 2019 until 22 May 2023)

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

Ms Ngonyama has made it her mission to empower women especially, rural women regarding their rights, paying particular attention on customary laws. She is also a member of the Eastern Cape Provincial House of Traditional Leaders and a Chairperson of the Rules and Ethics Committee and also serving in Legislation and Crime Prevention Committee.

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

Mr. Toto Ntetho

from (1 June 2021 until 25 May 2023)

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

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

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

Mr. Dawood Dada

Dawood Dada is the Group Company Secretary of the Post Office from 01 August 2017.

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

Attendance of SAPO Board of Directors meeting and committee meetings

Designation	Name	Surname	Appointment	Termination of Extended Term	Board	Audit & Risk	HRTP	IT Gov-STP-Proc	Social & Ethics	Stamp Advisory	Postbank Transition Task Team (PTTT)	DOCEX (Subsidiary)	CFG (Subsidiary)
Acting Deputy Chairperson	**Sipho Luyolo Mtika**	**Majombozi**	02 Sep 2020	21 Oct 2022	22 of 22		-	5 of 5	0	-	1 of 1	-	-
Interim Chairperson	**Sipho Luyolo Mtika**	**Majombozi**	22 Oct 2022	25 May 2023									
Non-executive Director	**Nondumiso Pumela**	**Ngonyama**	25 Oct 2019	22 May 2023	18 of 22	4 of 5	3 of 4	2 of 5	-	1 of 1	1 of 1	-	-
Non-executive Director	**Sipho Thomas**	**Nkese**	25 Oct 2019	25 May 2023	22 of 22	5 of 5	4 of 4	-	1 of 1	1 of 1	0	-	-
Non-executive Director	**Toto Jazzman**	**Ntetho**	01 Jun 2021	25 May 2023	22 of 22	5 of 5	4 of 4	1 of 5	-	1 of 1	1 of 1	-	-
Non-executive Director	**Yvette Lillian**	**Myakayaka-Manzini**	03 Sep 2020	22 Oct 2022	12 of 22	-	2 of 4	4 of 5	1 of 1	-	1 of 1	-	-
Executive Director, CEO	**Nomkhita Princess**	**Mona**	01 Apr 2021	-	22 of 22	5 of 5	4 of 4	5 of 5	1 of 1	1 of 1	1 of 1	4 of 4	1 of 1
Executive Director, Acting CFO	**Lenny Poonsamy**	**Govender**	01 Jan 2021	01 Dec 2022	16 of 22	4 of 5	2 of 4	5 of 5	1 of 1	-	1 of 1	3 of 4	-
DOCEX Managing Director	**Dina Maria Pascoa**	**Lume**	01 Jun 2017		-	-	-	-	-	-	-	4 of 4	-
External Expert	**David James**	**Wigston**	1 Mar 2008	25 May 2023	-	-	-	-	-	1 of 1	-	-	-
External Expert	**Maria Helena**	**Martin**	01 Feb 2009	Deceased 22 May 2022	-	-	-	-	-	-	-	-	-
External Expert	**James Gavin**	**Younge**	01 Mar 2008	25 May 2023	-	-	-	-	-	1 of 1	-	-	-

Board Committees

COMMITTEES

The statutory committees of the Board are: Audit and Risk Committee; Human Resources Committee and Transformation Committee; Remuneration and Performance Committee, Social and Ethics Committee.

The Board may establish committees to assist it in its work and the following committees have been established in this regard: the IT Governance Committee and Strategic Turnaround Committee (IT/STP), the Postbank Transition Task Team (PTTT); and the Stamp Advisory Committee (SAC).

AUDIT AND RISK COMMITTEE

The 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 establish an Audit and Risk Committee.

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

The Committee 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.

HUMAN RESOURCE, TRANSFORMATION, REMUNERATION AND PERFORMANCE COMMITTEE

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

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

IT GOVERNANCE, STRATEGIC PLANNING AND PROCUREMENT COMMITTEE

The IT Governance, Strategic Planning and Procurement Committee is responsible for overseeing, on behalf of the Board, the execution of the Strategic Turnaround of the SA Post Office and related IT and procurement matters within the delegation of the Board. Members are appointed by the Board and comprised of at least three non-executive members of the Board on a term of maximum three years, extendable thereafter.

STAMP ADVISORY COMMITTEE

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

SUBSIDIARY COMPANIES

Document Exchange Group

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

The Courier and Freight Group

During the year under review, the Courier and Freight Group (CFG) was dormant and inactive. The CFG Board was re-established during the reporting period to oversee the winding-down of the company.

Risk Management

Board Accountability

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

SA Post Office has adopted a Risk Management Policy that is aligned to the National Treasury Risk Management framework with the aim of institutionalising risk management within the organisation. The Board through this policy has:

- Established a combined Audit and Risk Management board sub-committee to among other responsibilities, oversee the Group's risk management program and monitor emerging risks that may emanate from changes in the corporate plan and external environment
- Delegated to management the responsibility to design, implement and monitor the risk management plan by delegating the day-to-day responsibility for risk management to management

2022/23 Risk Assessment

The financial position of SA Post Office has over the reporting period had a serious impact on its ability to effectively control and/or mitigate identified risk exposures as well as the unintended consequential impact of materialised unmitigated risks. This has in turn resulted in detrimental risk realisations that has had a negative impact on the stabilisation and turnaround efforts intended in the annual plan.

In propelling the stabilisation that has not been attained from the Turnaround Plan (TP) of the previous year, the three year "Post Office of Tomorrow Strategy" (strategy) was crafted. This strategy like the TP also had ambitions of turning around the organisation that was in even deeper financial distress. Like its predecessor, this plan was formulated during a period the organisation was under severe financial distress. The strategy was risk assessed to identify potential impediments to its successful implementation. Additionally, risks previously identified, that had in fact already manifested or come to fruition as a result of failed risk plans were also considered as these would also hinder its achievement. At the time the risk exposures were identified, it was acknowledged that the organisation was in fact already operating in "crisis mode".

The strategic risks and or exposure areas identified were largely considered residually extreme. Indicating that the mitigating environment against said risks was considered inadequate and further signifying that the achievement of the strategy, which was primarily aimed at stabilising the organisation would require much effort in order to overcome the exposures identified. To this end, requisite mitigation actions intended to minimise the identified exposure were identified. At the outset, it is important to point out that the biggest dependency to the implementation of the strategy was access to funding.

Management was duly mandated to reinforce an effective risk mitigation plan. In this regard, management was therefore required to establish, deploy and maintain risk response plans for their respective areas of responsibility and accountability to avert and manage the identified risks towards the achievement of the strategy.

Below is a high level summary of the key strategic risks that the organisation grappled with. The top ten strategic risks as presented below were largely considered residually high to extreme. These exposures are not new but may have evolved and further deepened over the years as the organisational challenges have become more entrenched.

Persistent risk manifestation and perpetual operational inefficiencies are indicative of an inadequate control environment that has not matured to required levels. Extreme risks signify that the achievement of the current year's Corporate Plan, which was primarily aimed at the continuation of the organisational stabilisation would require additional effort in order to overcome the exposures identified.

Risk Ranking

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

Unacceptable Risk Levels

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

No	Key Risk Exposures	Rank
R1	**Liquidation/Sustainability Risk:** Deepening Liquidity Risk due to declining revenue and high fixed operating cost base Inability to fund recovery and Upliftment plans	
R2	**Brand erosion and customer trust deficit:** Adverse reputation. Poor customer experience and perception Loss of credibility, trust and customer confidence Delivery service failures	
R3	**Business Stagnation and loss of customers** Competition and Digital Substitution Lack of agility to respond to changing customer requirements Business shrinkage and impact on commercial viability	
R4	**Rapid decline Service standards** Inability to deliver services due to lack of critical suppliers (and supply basic/core tools of trade Outdated tech - systems, processes, tools of trade Shrinking footprint	

No	Key Risk Exposures	Rank
R5	**IT Related risks** Spend Backlog On Required Investments Organisational IT transformation Data Centre volatility	
R6	**Creditor backlog** Inability to service past and current obligations and maintain critical services from key suppliers	
R7	**Human Capital Risk and Change management** Leadership stabilization and continuity Loss of skill and experience effective succession planning Ineffective organisational structure as well as expertise/skill mix alignment to strategy	
R8	**Ageing Infrastructure** Spend backlog on required investments maintenance Compromised OSH compliance and possible devaluation of assets Work environment not conducive for high performance	
R9	**Criminality** Including Fraud, Cybercrime and Theft Security vulnerabilities	
R10	**Clean audit and governance risk** Disclaimer Audit opinion Internal control deficiencies Poor culture of compliance	

Status of Risk Mitigation

Risk strategies for key risks are intended at improving the risk management environment to mitigate aspects that may negatively impact on the organisation's ability to:

- Build and grow an efficient and sustainable business
- Embed an effective and responsive risk management culture and promote overall compliance
- Institutionalise good governance
- Continuous improvement of internal controls, streamlining processes and enhancing efficient decision making
- Renew and design appropriate infrastructure (Physical and IT systems) for the future, and
- Innovate new products and services

It was anticipated that the implementation of such initiatives embedded in the strategy, would yield some positive gains towards stabilising the organisation and ultimately deliver a viable financial recovery plan to sustain the business. Unfortunately this was not achieved as the far majority of mitigations could not be successfully implemented during the period under review. This is also evidenced by the organisation's non achievement of the strategy.

The primary reasons behind this is because a large part of the strategy was premised on acquisition of funding. As this did not materialise, about 80% of the plan has in fact been carried forward into the new year with adjusted implementation timelines.

Key reasons behind the inability to close identified exposures in the organisation include:

- Severe liquidity challenges and the organisation's inability to secure funding
- Creditor backlog and inability to pay suppliers
- Unavailability of critical suppliers resulting in severe regression of delivery standards
- Operational and process inefficiencies impacting on our ability to deliver
- High vacancy rate especially at executive and senior management level as well as critical positions across the

organisation and thus having an impact on an optimised capacity to drive implementation
- Skills drain - loss of critical expertise, experience and institutional memory which has had a negative impact on organisational effectiveness as well as appropriate skills match for strategy implementation
- Regression of the internal control environment as evidenced by a disclaimer of opinion audit outcome

The challenged financial position at SA Post Office together with the absence of much needed infrastructure investment to address legacy challenges and correction of instances of extreme disrepair has had a huge impact on the ability to manage risks to acceptable levels.

Widening operating losses mainly due to operating expenditure that still far exceeds declining revenues has kept the organisation financially distressed ultimately impacting on the future sustainability of the organisation.

The organisation's inability to meet its payment obligations as well as settle historical debt which has continued to accumulates, also exacerbated the risk. The organisation is continuously improving its expenditure controls with the integration of risk mitigation procedures to achieve improved control management. However, cost saving efforts have had limited or no real impact and have been overshadowed by the declining revenues. Internal control weaknesses and process failures have in some instances also compromised revenue protection efforts. Anticipated funding support from Government did not materialise within the anticipated timeframe.

SA Post Office has a high fixed staff cost structure in a declining postal environment. In efforts to manage this cost down, Voluntary Severance Packages (VSP) were offered. While this initiative has achieved some cost reduction, it also introduced an unintended consequence of accelerated skills and institutional memory exodus.

A section 189 process was also approved and embarked on to further decrease the staff cost load. Acquisition of new skills and training / reskilling of staff in line with strategic imperatives would have to be considered. The ability to ensure adequate investment in employees and to build capability for the future is also dependent on funding availability.

The Universal Service Obligation (USO) requires the organisation to provide services in areas that are not financially viable. The ongoing disconnect between compulsory fixed costs relating to the social mandate and declining reserved mail revenues over many years, without any external government funding to cover the shortfall over the years, has added to the recurring financial shortfall.

The cumulative impact of investment backlog on both IT and property infrastructure contributed much to the current state of infrastructure disrepair. Continued deterioration of facilities with minimal repairs and maintenance attracts various occupational health and safety compliance related risks. None alignment of facilities footprint to customer needs also impacts on service delivery with cases of underutilisation / redundancies.

Suitability of facilities to house operations and ability to adapt structurally, impacts on operational efficiency. An initiative to rebalance service points for improved cost effectiveness and optimised service delivery has not been implemented effectively and in some cases disrupted by forced closures due to non-payment of services. Availability of funding for general repairs as well as both proactive and reactive maintenance including the lack of capacity to execute repairs internally have been major obstacles.

The past year under review was extremely challenging. Although response strategies were developed for the organisation to claw back lost market share, the investment required to fund these strategies has not been made available timeously.

Continued exposure to extreme and undesirable residual risk levels were unavoidable and have in turn impacted negatively on the organisation's ability discharge its mandate and deferred strategy implementation. The constraining factors and high levels of risk exposure suggests that SA Post Office will remain in a high residual risk exposure position for some time, although efforts to control risks and organisational wide efforts to mitigate risks will bear fruit.

Social and Ethics Committee Report for the Year Ended 31 March 2023

The Social and Ethics 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 the Committee fulfils the role for the SA Post Office Group, none of the subsidiaries have established a Social and Ethics Committee.

The Social and Ethics Committee Charter was formally adopted 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.

Membership of the Committee

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

The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operations Officer, and other group executives are permanent invitees to all Committee meetings.

Meetings

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

Compliance and Regulatory Matters

The Post Office strives not only to meet the universal standards for postal services but through the oversight role of the Social and Ethics Committee, seeks to improve performance on these standards.

Organisational constraints

The organisation has been constrained by a lack of financial, and staff resources coupled with inadequate systems over the reporting period to adequately address issues to enhance compliance and improvement gaps identified in occupational health and safety requirements, employment equity and BEE compliance.

Chairperson – Social and Ethics Committee
Mr. Sipho Nkese

Compliance with Laws and Regulations

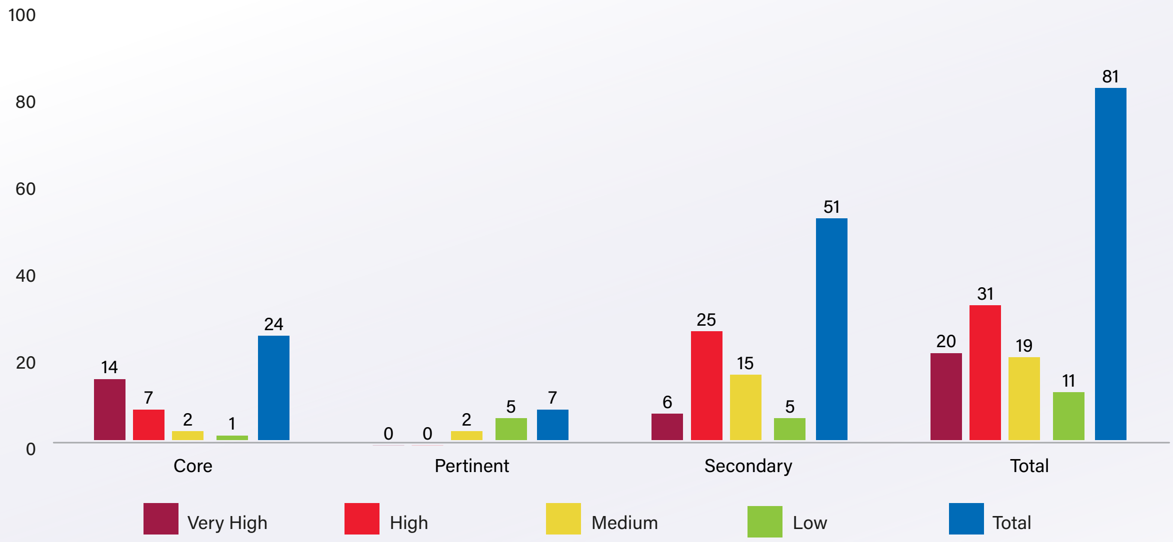
REGULATORY COMPLIANCE

SA Post Office recognises compliance with applicable statutes, guidelines, rules and codes as integral in upholding good governance as well as towards becoming a good corporate citizen. Such sound corporate governance practices are essential for creating and sustaining value and trust through ensuring that corporate behaviour is ethical and legal. In this regard, the organisation has established appropriate structures and processes in an endeavour to ensuring adherence to applicable statutes, guidelines, rules and codes.

To this end, to support its intentions to be a good corporate citizen, the SA Post Office has an established a Compliance Function which reports on the state of compliance in relation to the approved annual compliance plan to relevant parties in the organisation and ultimately to the Board through the Social, Ethics and Stakeholder Management Committee. The Compliance Unit aims to assist the Board of Directors and the organisation to continually improve on the maturity of the compliance culture within the organisation.

The Compliance Function, whilst not fully capacitated, has well established processes to monitor compliance with relevant and applicable legislation, regulations, policies and regulator requirements. A Compliance Policy, Compliance Framework and Procedure Manual as well as an applicable SA Post Office specific Compliance Universe has been established and approved. Compliance Risk Management Plans are developed in line with prioritised acts and regulations for annual focus and monitored according to an approved Annual Activity Plan. Below is a high level summary illustration of the risk distribution of the Compliance Universe applicable to SA Post Office.

Compliance Universe – Risk Distribution Summary



The Compliance Function's role encompasses ensuring compliance with various pieces of legislation impacting on the organisation. This entails compliance awareness, compliance monitoring through the evaluation of the compliance status of the organisation as well as the detection of non-conformances and follow up of implementation of corrective measures and thus ultimately providing compliance assurance.

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

The SA Post Office has not had an easy year, the challenges experienced have been articulated throughout the annual report. In spite of these difficulties, there has been an endeavour to put in place appropriate measures to ensure optimal compliance with the various regulatory requirements applicable to the Group. The laws that are core to the organisation relate to the postal license requirements including, but not limited to:

- Companies Act No. 71 of 2008
- Consumer Protection Act, No. 68 of 2008
- Financial Intelligence Centre Act, No. 38 of 2001
- Financial Advisory and Intermediary Services Act No. 37 of 2002
- National Treasury Regulations
- Protection of Personal Information Act, No. 4 of 2013
- Post Office License (ICASA)
- Postal Services Act, No. 124 of 1998
- Promotion of Access to information Act, No. 2 of 2000
- Public Finance Management Act, No. 1 of 1999 and related Treasury Regulations
- South African Post Office SOC Limited Act, No.22 of 2011

Financial Misconduct

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

In terms of section 51 (1) (b) (ii) of the PFMA, the accounting authority is required to take effective and appropriate steps to, amongst others, prevent Irregular - and Fruitless and Wasteful expenditure.

Section 57 (c) of the PFMA further provides that an official of a public entity must take effective and appropriate steps to prevent irregular expenditure and fruitless and wasteful expenditure in their areas of responsibility.

FINANCIAL MISCONDUCT COMMITTEE (FMC)

The SA Post Office has an established FMC to review and to ensure that all instances of Financial Misconduct within the SA Post Office Group of companies are managed in accordance with the requirements of the PFMA (Public Finance Management Act) and related regulations.

The FMC has been established in line with the Public Finance Management Act, 1999, as amended.

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

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

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

IRREGULAR EXPENDITURE (IRE)

Figures in Rand thousand	Group		Company	
	2023	2022	2023	2022
Opening Balance	2 439 170	1 872 111	2 387 041	1 820 768
Add: Irregular expenditure - current year	155 958	567 059	155 159	566 273
Total Irregular expenditure awaiting condonation	2 595 128	2 439 170	2 542 200	2 387 041
Analysis of awaiting condonation per age classification				
Current period	155 958	567 059	155 159	566 273
Prior years	2 439 170	1 872 111	2 387 041	1 820 768
Total Irregular expenditure awaiting condonation	**2 595 128**	**2 439 170**	**2 542 200**	**2 387 041**

The SA Post Office commenced reporting on Irregular Expenditure in the 2011 FY in accordance with the PFMA requirement and continued has to date. The SA Post Office is addressing the root causes of Irregular Expenditure and it should be noted that the resolution of Irregular Expenditure will only be achieved in the long term from interventions currently being considered and implemented.

The process to identify Irregular Expenditure is ongoing in order to have these transactions assessed and condoned where required.

An amount of R2,595 million in Irregular Expenditure incurred by the SA Post Office Group is awaiting condonation as follows:

- Irregular expenditure of R2,542 million (2022: R2,387 million) incurred by the South African Post Office (SOC) Ltd company, awaiting finalisation and condonation.
- Irregular expenditure of R7.5 million (2022: R6,7 million) incurred by The Document Exchange (Pty) Ltd, awaiting finalisation and condonation.
- Irregular expenditure of R45.6 million for The Courier and Freight Group (Pty) Ltd, awaiting finalisation and condonation.

FRUITLESS & WASTEFUL EXPENDITURE (F&WE)

Figures in Rand thousand	Group		Company	
	2023	2022	2023	2022
Opening Balance	809 483	591 931	791 336	573 755
Add: Fruitless & wasteful expenditure - current year	153 069	217 552	153 018	217 581
Total Fruitless and wasteful expenditure awaiting write-off	962 552	809 483	944 354	791 336
Analysis of awaiting write-off per age classification				
Current period	153 069	217 552	153 018	217 581
Prior years	809 483	591 931	791 336	573 755
Total Fruitless and wasteful expenditure awaiting write-off	**962 552**	**809 483**	**944 354**	**791 336**

A breakdown of Fruitless & Wasteful expenditure for SAPO includes:

- The accumulated amount of R963 million relates to Fruitless & Wasteful Expenditure awaiting write-off for the SA Post Office Group.
- An amount of R153 million was incurred during the 2022/23 FY and relates to interest charged in the amount of R122.6 million due to late payments and legal fees in the amount of R1.7 million due to creditors not being paid. An amount of R28.8 million relates to penalties imposed as a result of a breach of clause(s) in the agreement between SA Post Office and SASSA.

Minimising Conflict of Interest

SA Post Office employees are required to annually complete a declaration of interest. Each Business Unit is responsible to keep a copy of the declaration of interest and/ or to submit to Human Resources (HR) for record keeping.

Any Business Unit that requests to deviate from the procurement process and contract amendments are required to submit a declaration of interest with their request to the Bid Adjudication Committee (BAC). The declaration of interest documents are kept with the submission at Supply Chain Document Management.

The Bid Evaluation Committee (BEC) members are required complete a declaration of interest prior to evaluation of bids and included in the project working file. Project working files are kept at the Supply Chain Document Management office for safekeeping. In the event that a conflict of interest is declared, the member who has declared a conflict of interest is recused from the evaluation process, and such interest is recorded.

The BAC members complete a declaration of interest at the BAC meeting for adjudication of bids. In the event that a conflict of interest is declared, the BAC member who declares the conflict of interest is recused from the adjudication of the bid, and such interest is recorded. The declaration of the conflict of interest documents are kept with BAC secretariat at Supply Chain Management.

The Board of Directors complete a declaration of interest prior to adjudication of bids. In the event that a conflict of interest is declared, the Board of Directors member who has declared a conflict of interest is recused from the adjudication of the bid, and such interest is recorded. The declaration of the conflict of interest documents are kept with the Company Secretariat at Head Office.

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

Code of Conduct

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

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

- All employees, irrespective of title, role, rank, or employment type, must know the minimum standard that is required from them as SA Post Office employees, principles and guidelines are provided
- Employees are to conduct themselves professionally with both their colleagues and clients
- Development of a common approach, thereby enhancing the quality of ethical decisions in line with company values, mission and mandate
- Ensuring that all employees carry out their jobs in a manner that credits the organisation, considering that the SA Post Office has an important role in the social and business life in South Africa
- Improve decision making and reduction of potential risk
- All employees are to take pride in being part of the organisation, living up to the values and ethical integrity, which will lead to a better organisation, as well as personal fulfilment
- Increasing the awareness of ethical requirements through education and training on ethics, including fraud and corruption as well as the resources available to address ethical dilemmas
- Raise ethical awareness and minimise or eliminate ethical risk

The Social and Ethics Committee has also approved an ethics awareness and roll out plan during the same period to ensure:

- The Ethics Implementation Plan supports the strategic intent as set out in the SA Post Office Corporate Plan, embedding an ethical culture as a foundation to achieving a successful organisation
- The strategic intent of the activities planned for the 2022/23FY was focused on ethics awareness, setting the tone of ethics within the organisation and preparing the organisation for ethics training across SA Post Office

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

Occupational Health and Safety

INTRODUCTION

SA Post Office endeavours to comply with all Health and Safety regulations. In its efforts towards enabling the organisation, and its subsidiaries, to comply, as legally prescribed and/or required with Occupational Health and Safety (OHS) requirements, an OHS Advisory unit has been established. Its primary role is to guide the organisation to observe as far as practically possible, minimum requirements, be aware of exposure areas and attend to such matters in a timely manner to ensure the safety and wellbeing of employees as well as customers.

Due to the dire financial distress situation that the organisation finds itself, it has become increasingly challenging in the recent past to fully comply with all related regulations.

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

SA Post Office employees are advised to report unsafe conditions and act in order to protect the organisation against possible criminal, civil and vicarious liability or prosecution through proactive alerts of OHSA contraventions.

Certain of the existing high level exposure areas are indicated below:

- Inadequate and ineffective planned proactive maintenance implementation due to funding constraints
- Reactive maintenance on known exposure areas, is largely inadequate due to funding constraints
- Emergency evacuation – inadequate discipline in respect of evacuation drills, evacuation routes
- Fire safety – inadequate servicing of equipment, sufficient equipment
- Structural defects - repair major structural damages, repair and maintenance plans
- Poor ventilation in some buildings

The key challenge in applying corrective measures is a lack of funding. OHS Services encourage Management to conduct regular planned task observations and job safety analyses at their workplaces, and to perform frequent observations of employees' safety behaviours (safe/unsafe acts) and environment safe/ unsafe conditions. This goes a long way towards eliminating preventable injuries and damage to machinery. This is evidenced by the relatively low number incidents of the injury-on-duty incidents, apart from armed robberies.

INJURY ON DUTY (IOD) INCIDENTS

A total of 428 IOD incidents were reported for the period April 2022 to March 2023, a reduction of 21% from the previous year. During the prior year, 543 incidents were reported.

Although incidents related to armed robberies remains the largest contributor to the total number of incidents, at 256, making up 60% of the full population, these have decreased by 33% compared to the previous year.

Below is an annual comparative analysis per incident type.

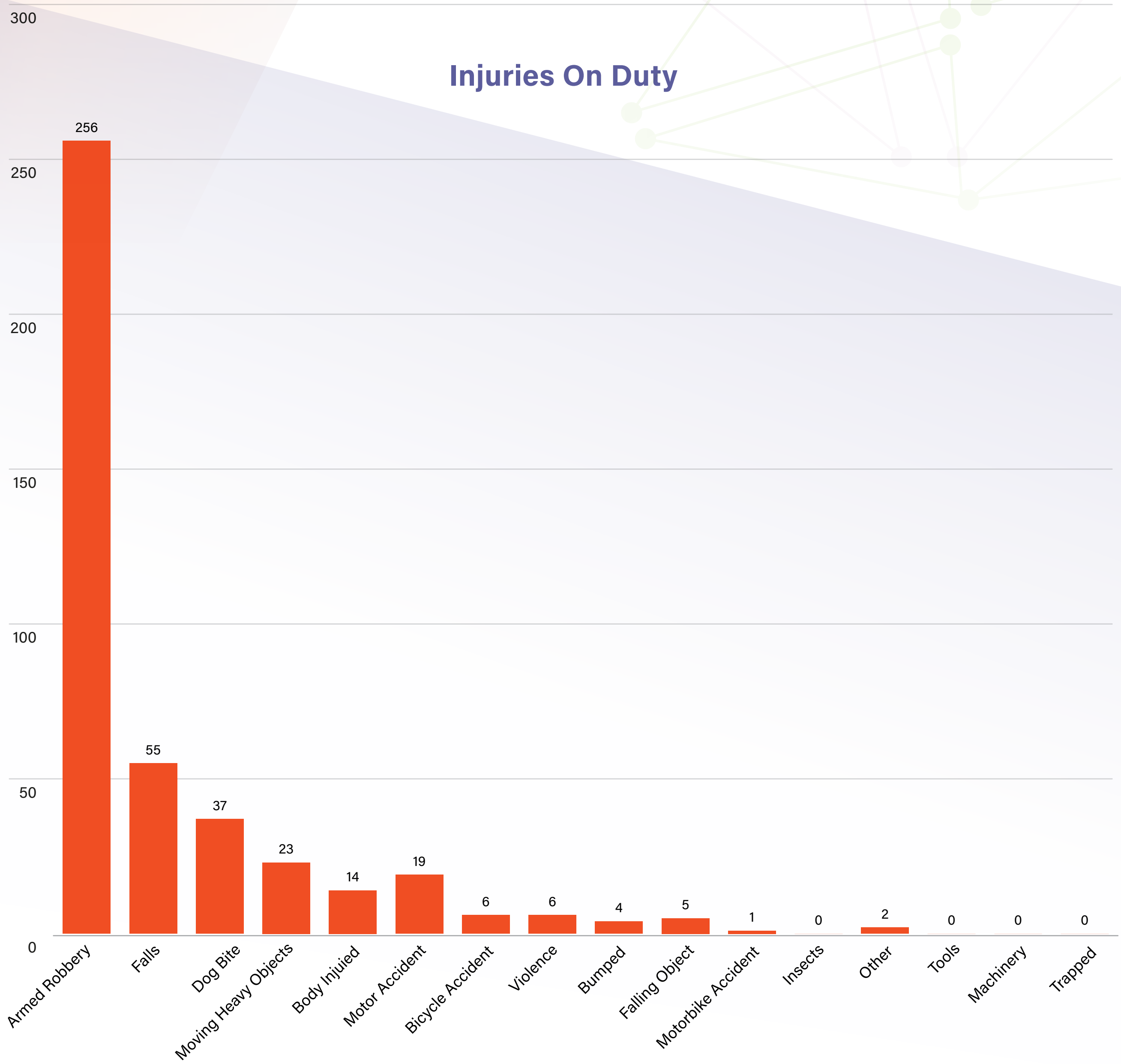
INCIDENT TYPE	2022	2023	Variance
ARMED ROBBERY	381	256	-33%
FALLS	49	55	12%
DOG BITE	39	37	-5%
MOVING HEAVY OBJECTS	16	23	44%
BODY INJURED	15	14	-7%
MOTOR ACCIDENT	9	19	111%
BICYCLE ACCIDENT	1	6	500%
VIOLENCE	9	6	-33%
BUMPED	8	4	-50%
FALLING OBJECT	8	5	-38%
MOTORBIKE ACC	2	1	-50%
INSECT BITE	2	0	-100%
OTHER	2	2	0%
TOOLS	1	0	-100%
MACHINERY	1	0	-100%
TRAPPED	0	0	0%
TOTAL	**543**	**428**	**-21%**

Whilst the decrease in these incidents is welcomed, armed robberies pose a serious threat to the lives of both SA Post Office employees and customers. Safety and security measures are continuously assessed to curb this exposure. Additionally, trauma counselling and associated wellness programmes tor affected staff is provided.

There has been a notable decrease in most of the IOD incidents except for injuries related to moving heavy objects, vehicle and bicycle incidents. Although the three categories only make up 10%, the significant increase from the previous year is concerning.

Post-incident assessments are conducted to address root causes and manage repeat occurrences.

The graph below depict the IOD reported incidents:



OHS Audit findings have confirmed that OHS representative inspections are done monthly in most premises and findings subsequently reported to management.

The capacity of OHS Services has been severely constrained during the year as a result of exits, however responsible officials are encouraged to conduct regular planned task observations and job safety analyses at their workplaces, and to perform frequent observations of employees' safety behaviours (safe/unsafe acts) and environment safe/unsafe conditions. This goes a long way towards eliminating preventable injuries and damage to machinery. This is evidenced by the decline in number of reported IOD incidents.

Corporate Social Investment

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

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

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

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

- Increased the number of SA branches that distribute reading material to 1,142
- Distributed 204 195 reading supplements

The SA Post Office collaborated with the KwaMashu Business Chamber to assist KZN flood victims by making available Post Office branches in Gauteng as facilities where members of the public could donate items. The SA Post Office delivered 900 boxes and bags of donations from Gauteng to the flood victims in KwaZulu-Natal.

The distribution of donated items was coordinated by the KwaMashu Business Chamber, and the Business Chamber estimates that 5,000 flood victims received blankets, warm clothing, shoes and other essentials through this program. The SA Post Office transported all the donations free of charge from Gauteng to its Durmail sorting centre in Durban, and from there to other distribution points in the area.

Collecting Speed Services parcel

Audit and Risk Committee Report

The Audit and Risk Committee hereby presents its report for the financial year ended 31 March 2023, in accordance with their roles and responsibilities as outlined in the PFMA (Public Finance Management Act) and the Companies Act. The Audit and Risk Committees were combined over the financial year.

Members

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

The Audit and Risk Committee was constituted of three non-executive directors. The Committee was dissolved in May 2023 due to the resignation of one of the non-executive directors and member of the Committee. The Committee therefore did not meet the minimum requirements in terms of the Companies Act and the Committee Charter of a minimum three members.

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

Meetings held by the committee

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

Responsibility

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

The effectiveness of the Committee was significantly impacted by the non-availability of the necessary skills, experience and qualifications of available non-executive directors in the SA Post Office Board of Directors, from which Committee members are drawn from.

Specific focus areas

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

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

The Committee is satisfied that the Internal Audit unit has properly discharged its functions and responsibilities during the year under review. We have also noted the concerns regarding the ability and capacity of Internal Audit to fully discharge their responsibilities. Currently, Internal Audit requires specialised skills in certain areas and financial assistance to further improve its effectiveness in providing the required assurance services to Senior Management and the Board of Directors.

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

Evaluation of the Financial Statements

The Committee reviewed three of the four quarters' financial statements and performance reports and in the fourth quarter requested the Board as the Accounting Authority to delegate the approval and sign-off on the fourth quarter as well as annual unaudited financial statements for SA Post Office and its subsidiaries, based on the confidence provided that the financial statements had been compiled by a team of chartered accountants/service provider and reviewed by the Chief Financial Officer.

Committee remarks on SA Post Office Control Environment

The Committee for three out of the four quarters considered various reports from Internal and External assurance providers (Auditor General, Internal Audit and Enterprise Risk Management) to assess the control, governance and risk environment within SA Post Office.

Essentially, the Committee had to consider the level of assurances to ensure the SA Post Office can achieve the following primary control objectives:

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

Chairperson Audit and Risk Committee
Mr TJ Ntetho

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

Despite the significant resource capacity challenges experienced, it was evident from the audit results for the 2023 financial year that progress has been made to stabilise and improve the audit outcome however; the current state of the residual internal risk and control environment is not ideal and the efforts by the Accounting Officer must therefore be intensified to resolve the remaining anomalies reported.

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

BBBEE Compliance Information

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

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

Cancellation machine, Tshwane Mail

Part D: Human Resource Management

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

Hugh Masekela

Mail being fed into the sorting machine, Tshwane Mail

Introduction

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

- Following the adoption of the Post Office of Tomorrow strategy, focus was placed on revising the SA Post Office structures at all levels
- Performance management assessment for managers for the 2022/23 FY ended on 31 March 2023
- Consultation with organised labour on performance management for non-managerial employees is ongoing
- Due to financial constraints, no annual salary increases were implemented during the period under review
- The process to ensure proper management of the Post-Retirement Medical Aid subsidy (PRMA) liability is continuing and can be regarded as work in progress
- A Voluntary Severance Package (VSP) was offered to all employees and 1 894 accepted VSP offer
- In accordance with the Leave Policy, all employees were required to take statutory leave for the previous leave cycle by 30 September 2022
- Permanent staff numbers reduced from 14 460 (31 March 2022) to 12 640 (31 March 2023). This equates to a 12,58% reduction of staff
- The Employment Equity plan and report have been submitted to Department of Labour
- The 2022/23 FY Workplace Skills Plan and Annual Training Report was approved by the Group CEO and Organised Labour, and was submitted to the Services SETA with 4 871 employees being trained

EMPLOYEE WELLNESS

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

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

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

The State of Disaster in respect of Covid-19 was suspended with effect from midnight on 04 April 2022.

Employee Assistance Programme

As a result of retirements and resignations of EAP Practitioners for Head Office, Northern Region and Eastern Cape during 2019; no statistics have been made available to date. The EAP Practitioner for KZN resigned in April 2023.

Psychosocial consultations

Psychosocial Consultations	Number
Financial (Including DMC)	740
Relationship	30
Work related	183
Psychosocial	341
Retirement counselling	66
Addiction	68
General enquiries	223
Other	24
TOTAL	**1 675**

Financial problems accounted for the highest of total EAP consultations, followed by Psychosocial and General Enquiries.

Health and Disability consultations

Health & Disability Consultations	Number
Disability	12
Illness/Injuries	141
HIV/AIDS counselling	3
TTD and ill health	177
Incapacity investigations	106
Sick leave use/abuse	26
General enquiries	168
Other	3
TOTAL	**636**

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

Robberies

The SA Post Office experienced 111 robberies during the period with 76 employees suffering from post-traumatic stress disorder.

Regions	Total
Central Region	15
Eastern Region	0
Head Office	0
KwaZulu Natal	62
North Region	0
Western Region	19
Witwatersrand	15
TOTAL	**111**

KwaZulu Natal region has the highest number of robberies at 62.

Health & Disability

Medical Surveillance and VCCT

Witwatersrand region is the only region with an Occupational Health Nurse Practitioner. The Occupational Health Nurse Practitioners in other regions have resigned over 3 years ago. The Disability Manager resigned on 31 March 2021 and TTD/ IHR Assessments are done by an Occupational Health Nurse Practitioner.

Health Retirement

Applications	Number
Approved	2
Declined	2
Withdrawn	5
Pending	8

For the period, 2 Health Retirement applications were approved, 5 were withdrawn and 2 applications were declined. There are a further 8 pending applications for Health Retirement.

Temporary Total Disability

Applications	Number
Approved	63
Partially approved	9
Declined	4
Pending	193

For the period, 63 Temporary Total Disability applications were approved, 9 partially approved, 4 declined, with a further 193 pending cases. The Occupational Medical Practitioner's one year contract has expired and due to financial constraints, no new appointment has been made.

Health Promotions

Regions	Number of health promotion events
Central Region	1
Eastern Region	0
Head Office	0
KwaZulu Natal	2
North Region	0
Western region	0
Witwatersrand	13
TOTAL	**16**

Health promotions undertaken comprise health talks in KwaZulu Natal, Central and Witwatersrand regions.

Engagement with Labour

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

Since the 2021/22 FY to date the SA Post Office has not been in a position to offer salary increases. The company is continuously engaging with all stakeholders regarding its financial position.

Recruitment and Appointments

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

As a result of the moratorium on the filling of vacant positions during the period 2022/23 FY, no vacant positions were filled as a result of the organisation's financial challenges. However, during the period, there was a critical requirement to fill vacant executive positions that were identified and approved. These appointments were made to allow for business continuity at some business units in the organisation.

The process to fill these positions was coordinated through Supply Chain Management which appointed and contracted 5 executive search providers to assist with the recruitment of Executives.

Notwithstanding the recruitment plan to fill all vacant executive positions, the financial position of the organisation limited the filling and finalisation of some of the executive positions.

During the 2022/23 FY the following executives were appointed:

- Group Chief Financial Officer
- Group Executive Human Resources
- Group Executive Commercial (S32)

It is expected that the recruitment and selection process to fill the remaining critical executive positions (indicated in the table below) will continue and be finalised once financial situation of the organisation has improved.

Critical vacancies

The following critical vacancies were identified:

Critical Vacancies	Number of vacancies	Status of applications concluded	Status
COO	Chief Operating Officer	To be prioritised	Not Filled
Group Executive	Chief Technology Officer		
	Logistics		
	Commercial		
General Manager	Chief Procurement Officer		

Human Resources Oversight Statistics

STAFF ESTABLISHMENT

The SA Post Office staff establishment was 16 738 on 31 March 2020, 15 826 on 31 March 2021, 14 460 on 31 March 2022 and 12 640 on 31 March 2023. The staff decrease during the year under review was as a result of the VSP and natural attrition.

Employment changes

Salary band	Employment at the beginning of the period	Appointments	Terminations	Internal movements/ appointments	Employment at the end of the period
Top management	18	2	1	-	19
Senior Management	151	1	34	-	118
Specialists	276		38	-	238
Skilled	2 280	1	406	-	1 875
Semi-skilled	11 027	3	1 260	-	9 770
Unskilled	708		88	-	620
TOTAL	**14 460**	**7**	**1827**	**0**	**12 640**

During the 2022/2023 FY only 7 employees were appointed and 1 827 employee's contracts were terminated with no internal movements. This was as a result of death, resignations, early retirement, normal retirement and VSP.

Post-Retirement Medical Aid

Post-Retirement Medical Aid reduction

Medical aid	# Terminated	Saving (R')
Bonitas	56	8 085 000
Discovery	3	475 000
Medipos	382	55 595 000
Total	**441**	**64 155 000**
Remaining members at year end	**2 324**	

Norton Rose Fulbright was appointed to assist with the PRMA buy-out process during 2022/23 FY. Accepted offers and natural attrition resulted in a cost reduction of R64m during the year.

Voluntary Severance Packages

VSP Exits accepted

Age group	Total
Above age 54	783
Age 50-54	518
Below age 50	593
Total	**1 894**

Voluntary severance packages were offered to staff from 12 November 2022 to 19 December 2022. On 20 January 2023 monthly pay-back payments of VSPs were introduced. Previous VSP payments were paid in full on termination. Although the pay-back period on the VSP varies between employees, the average period is around 12 months. A total of 1 894 offers were accepted during the 2022/23 FY period.

Strategic Workforce Plan

The strategic workforce plan is dynamic and work in progress, informed by various initiatives regarding the SA Post Office of Tomorrow strategy.

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

Attrition rate

At 31 March 2023 the SA Post Office had 12 640 employees. The attrition rate over the 2022/23 FY is at 12.58%.

Demographic Analysis

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

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

The workforce demographics are as follows:

- Employees that will retire within the next 5 years are 725 at an estimated cost of R134m.
- The average age for the employees is 46 years which means that SA Post Office has an ageing workforce.
- Employees have an average of 15 years of service.

Ageing workforce and years of service

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

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

Employee Wellness assisted ageing workers with the transition to retirement by offering financial planning and counselling sessions. It is also critical to reskill older workers especially in using technology. Wellness programmes for the ageing workforce has become critical.

Employment Equity

Employment equity targets are based on the economically active population as set out by Statistics SA. The SA Post Office strives to recruit, promote and employ categories as set out by these standards. The current financial situation of the organisation poses its challenges to reach the set targets by preventing the up skilling of current employees, recruit and employ youth and suitable candidates from the previously disadvantaged groups. The moratorium on appointments also had an impact on the achievement of the national targets.

SA Post Office Personnel Strength as at March 2023								
Personnel Complement								
Category Personnel	**African**		**Coloured**		**Indians**		**White**	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
National EAP Target	**43,1%**	**36,2%**	**5,2%**	**4,3%**	**1,7%**	**0,9%**	**4,9%**	**3,8%**
Top Management								
TOTAL	**8**	**5**	**2**	**0**	**2**	**1**	**4**	**0**
	36,36%	22,73%	9,09%	0,00%	9,09%	4,55%	18,18%	0,00%
Under / (Over Representation)	6,70%	13,45%	(3,94%)	4,32%	(7,42%)	(3,62%)	(13,28%)	3,78%
	1	**3**	**-1**	**1**	**-2**	**0**	**-3**	**1**
The figures are reflecting an over representation of the Indian, Coloured and White males. Opportunities exist for the appointment /development of African female, and Coloured females.								
Senior Management								
Total	**17**	**7**	**1**	**0**	**5**	**1**	**7**	**3**
	41,46%	17,07%	2,44%	0,00%	12,20%	2,44%	17,07%	7,32%
Under / (Over Representation)	1,60%	19,11%	2,72%	4,32%	(10,52%)	(1,51%)	(12,17%)	(3,54%)
	0	**8**	**1**	**2**	**-4**	**-1**	**-5**	**-1**
White males and females, Indian males and females should be guarded for appointment. There is an opportunity for African males and females as well as Coloured males and females. Appointments and development should be considered when the opportunity arises.								
Professional Specialist								
Total	**64**	**40**	**4**	**6**	**11**	**2**	**21**	**14**
	39,51%	24,69%	2,47%	3,70%	6,79%	1,23%	12,96%	8,64%
Under / (Over Representation)	3,56%	11,49%	2,69%	0,61%	(5,12%)	(0,31%)	(8,06%)	(4,86%)
	6	**18**	**4**	**1**	**-8**	**0**	**-13**	**-8**
White males and females, Indian males should be guarded for appointment. There is an opportunity for African males and females as well as Coloured females. Appointments and development should be considered when the opportunity arises.								
Technical And Academical								
Total	**620**	**894**	**100**	**124**	**73**	**44**	**110**	**116**
	29,79%	42,96%	4,81%	5,96%	3,51%	2,11%	5,29%	5,57%
Under / (Over Representation)	13,27%	(6,78%)	0,35%	(1,64%)	(1,84%)	(1,19%)	(0,38%)	(1,79%)
	276	**-141**	**7**	**-34**	**-38**	**-25**	**-8**	**-37**
Opportunities exist for the appointment /development of African and Coloured males. The other groups over represented at this level.								
Semi-Skilled								
Total	**4 261**	**3 904**	**611**	**368**	**148**	**60**	**157**	**190**
	43,93%	40,25%	6,30%	3,79%	1,53%	0,62%	1,62%	1,96%
Under / (Over Representation)	(0,87%)	(4,07%)	(1,14%)	0,52%	0,15%	0,31%	3,28%	1,82%
	-84	**-395**	**-111**	**51**	**14**	**30**	**318**	**177**
African male and female, Coloured and Indian male are over represented. Opportunities exist for the appointment /development of Coloured and Indian females as well as white males and females.								

SA Post Office Personnel Strength as at March 2023								
Personnel Complement								
Category Personnel	**African**		**Coloured**		**Indians**		**White**	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Unskilled								
Total	**167**	**445**	**32**	**74**	**2**	**0**	**3**	**5**
	129	408	27	61	1	0	2	4
Under / (Over Representation)	20,41%	64,56%	4,27%	9,65%	0,16%	0,00%	0,32%	0,63%
	22,65%	**(28,38%)**	**0,88%**	**(5,34%)**	**1,51%**	**0,93%**	**4,58%**	**3,15%**
African and Coloured females are over represented. Opportunities exist for the appointment /development of African and Coloured males as well as Indian male/female and white male/female.								
All Permanent Employees								
Total	**5 099**	**5 258**	**745**	**559**	**240**	**108**	**301**	**327**
	40,35%	41,61%	5,90%	4,42%	1,90%	0,85%	2,38%	2,59%
Under / (Over Representation)	2,72%	(5,43%)	(0,74%)	(0,11%)	(0,23%)	0,07%	2,52%	1,19%
	343	**-686**	**-93**	**-13**	**-29**	**9**	**318**	**151**
Overall African females, Coloured male and female, Indian males and Indian females are over represented. Opportunities exist for the appointment / development of African males, Indian females and white males and females at the appropriate levels.								
Non-Permanent Employees								
Total	**1**	**0**	**0**	**0**	**0**	**0**	**2**	**0**
	33,33%	0,00%	0,00%	0,00%	0,00%	0,00%	66,67%	0,00%
Under / (Over Representation)	9,73%	36,18%	5,16%	4,32%	1,67%	0,93%	-61,77%	3,78%
	0	**1**	**0**	**0**	**0**	**0**		**-1**
All Employees								
Total	**5 100**	**5 258**	**745**	**559**	**240**	**108**	**303**	**327**
Percentage representation	40,35%	41,60%	5,89%	4,42%	1,90%	0,85%	2,40%	2,59%
Under / (Over Representation)	2,72%	-5,42%	-0,74%	-0,11%	-0,23%	0,07%	2,50%	1,19%
	344	**-685**	**-93**	**-13**	**-29**	**9**	**316**	**151**

Data Source: The EAP targets as reflected in the 2019 QLFS 2rd Quarter ,2019, household-based sample survey conducted by Statistics South Africa (Stats SA).
The EAP targets used is the National targets as a company must reflect the national target in its HEAD OFFICE irrespective of where it is situated.

Talent and Succession Management

The exit of employees via VSP has necessitated business to request HR to assist with secondment and exposure of employees to fill certain critical and priority positions. Employees have been placed in various business units across regions in their relevant field of study or qualifications obtained.

Progress is monitored and, as no positions are currently being filled, these employees return to their respective section/s upon completion of the program (6 to 12 months).

Learning and Development

Learning and Development strives to develop human capital in alignment with the strategic intent of the Organisation, and the requirements of its stakeholders.

Various learning and development interventions planned for the period 2022/23 FY were developed in line with meeting the strategic intent of the Post Office of Tomorrow Strategy and were included in the workplace skills plan and annual training report that was submitted to Services SETA for the 2022/23 FY.

The SA Post Office received R2 667 538.35 as part of the mandatory grants refund for submitting the 2021/22 FY Workplace Skills Plan (WSP) and Annual Training Report (ATR).

A total of 4871 employees were trained on various interventions including those that supports revenue generation, Post Office of Tomorrow Strategy and compliance to various legislative requirements, which includes:

- Customer Service
- eNatis Motor Vehicle Licensing
- Forklift
- Customs Declaration
- In-house Motor Cycle training
- Quality Circles (Teams quality intervention)
- OHSA: Representative's Training
- POPI: Protection Of Personal Information Act

Due to the financial situation of the organisation, the delivery of training was limited to fewer training interventions as financial challenges could not allow certain interventions to be sourced and to allow for the payment of subsistence travel and accommodation, however the Zoom platform was used as a training delivery method for those employees in far outlying areas where they have access to it.

Course Name	Central	Eastern Cape	Head Office	KwaZulu Natal	Northern Region	Western Cape	Gauteng	Grand Total
Awareness: HR Policies		1					160	161
Behavioral Change Management			9		2		13	24
Budget Management (TK31)				10				10
Change Management			2				2	4
Customer Centricity (STP)	2 821			1	149	6	26	3 003
Customer Service Management		7			7			14
Customer Services 1		5						5
Customer Services 2		41			1	1		43
Discipline and Grievances: Module 1-6	1		5		3		15	24
Discipline And Grievances: 1-Disciplinary Procedure				42				42
Employee Relations					4			4
eNaTIS: Motor Vehicle Licensing Practical Training		8						8
eNaTIS: Renewals (Tellers)					21			21
eNaTIS: Security Awareness	2		1	1	1		90	95
FICA: Financial Intelligence Centre Act	1			1		26		28
Forklift Driving: Renewal						8		8
Mentoring and Coaching			3		23	1	27	54
Motivating and Stress handling							84	84
Motor Cycle Training	18				2	27	202	249
OHSA: Representative's Training	13			22	13	6		54
Personal Financial Management Skills	14							14
POPI :Protection Of Personal Information Act							96	96
Practical Supervision Mod 02: Problem Solving			2	1			36	39
Practical Supervision Mod 04: Time Management		8	2	1				11
Practical Supervision Mod 09: Motivating			47		4	1	70	122

Course Name	Central	Eastern Cape	Head Office	KwaZulu Natal	Northern Region	Western Cape	Gauteng	Grand Total
Practical Supervision Mod 17: Managing Change			19			2	31	52
Problem Solving and Decision Making	42		1		23	2	18	86
Quality Circle Teams		6	7	75	37	84	68	277
Quality Circle Teams Awareness	67	2	3	24	27		6	129
Root Cause Analysis	43					1	11	55
SAPO of Tomorrow Strategy Awareness							11	11
Customs Declaration System	1	5	2	4	3	2	3	20
Testpost: Operational Standard Manual						10		10
Trauma Peer Supporters Training				14				14
Grand Total	3 023	83	103	196	320	177	969	4 871

Employee Relations

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

Engagement Process

The back-pay being owed to employees is still due. The balance of the agreement has been implemented with the exception of the Risk Evaluation and Mitigation Strategy (REMS).

The company has engaged with organised labour on several platforms.

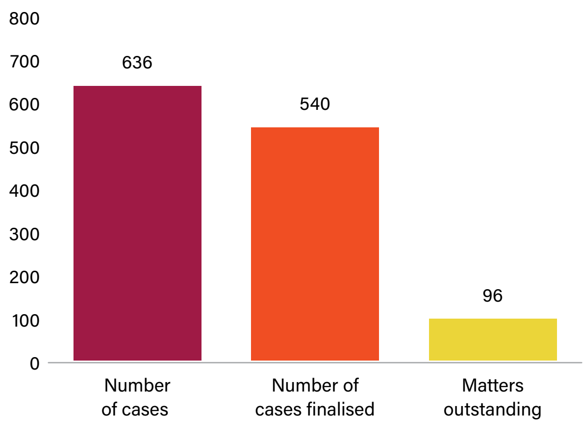
Case Management

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

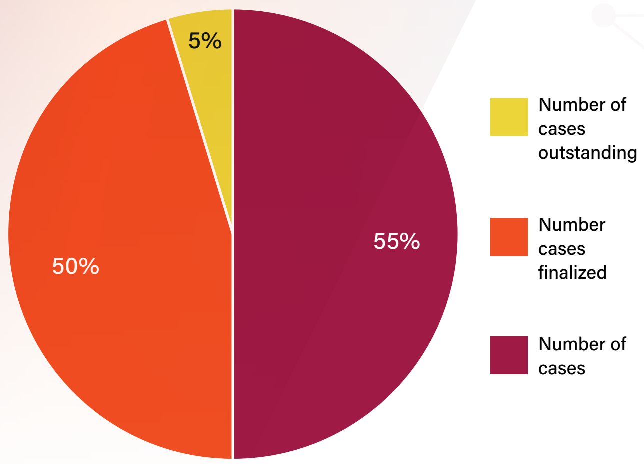
- Fraud

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

Misconduct Cases



Grievances



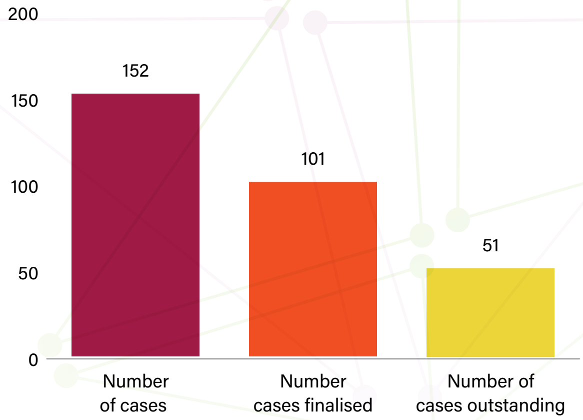
91% of all grievances were finalised.

The nature of the grievances related to:

- Abuse of power
- Deformation/ False accusations
- Divulging of information
- Exploitation
- Favouritism
- Fraudulent deductions
- Harassment/Intimidation

Most grievances were received for unfair labour practice and victimisation.

CCMA Cases

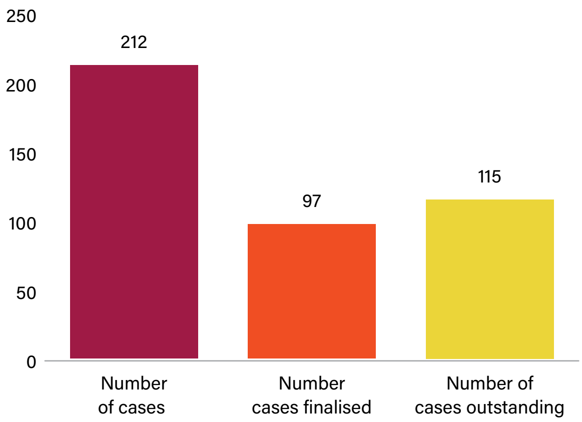


A total number of 152 cases were recorded. A total of 51 cases are pending and 101 cases were finalised at the CCMA resulting in 66.4% CCMA cases being finalised.

The nature of disputes relate to:

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

Suspensions



46% of cases have been addressed. The total number of suspensions recorded for the year was 212.

CCMA Cases

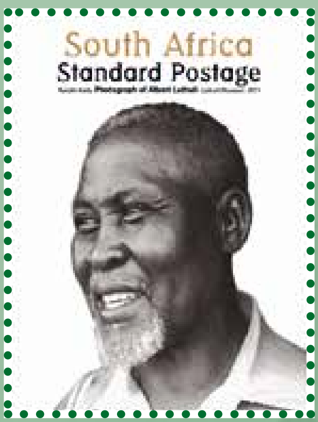
Cases settled and reasons:

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

Part E: Financial Information

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

Albert Luthuli



Card transaction

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

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Disclaimer of opinion

1. I was engaged to audit the consolidated and separate financial statements of South African Post Office (SOC) Limited (Sapo) and its subsidiaries set out on pages 109 to 231, which comprise the consolidated and separate statement of financial position as at 31 March 2023, 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 notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

Basis for disclaimer opinion

Going concern

3. As indicated in the consolidated and separate financial statements, the group and company incurred losses of R2 161 777 000 and R2 174 582 000, respectively, for the year ended 31 March 2023. Furthermore, at that date, total liabilities exceeded total assets by R7 478 805 000 and R7 505 923 000 while current liabilities exceeded their current assets by R9 739 917 000 and R10 598 828 000 for the group and company, respectively. The group and company reported negative cash flows from operating activities amounting to R412 455 000 and R392 050 000, respectively, which indicated that the group and company's core business operations are not generating enough cash to cover its operational expenses. The group and company further could not to pay their debts as and when they were due, indicating they were commercially and technically insolvent.

4. On 10 July 2023, the North Gauteng High Court approved the business rescue for Sapo. The entity had not yet assessed the impact of the business rescue on the group and company's ability to continue as a going concern at the date of this report. Note 49 further indicates multiple factors that impact on the assessment of the group and the company's ability to continue as a going concern. However, the group and the company did not adequately disclose in note 49 to the consolidated and separate financial statements, all the principle events and conditions that may cast significant doubt on the group and company's ability to continue as a going concern, management's evaluation of its significance, and management plan to mitigate the effect of these events as required by IAS 1, Presentation of financial statements.

5. Additionally, supporting information, including management's assumptions to support the appropriateness of the financial statements being prepared using the going concern basis of accounting were not provided. The cash flow forecast submitted by the public entity did not account for all known assumptions. Therefore, I was unable to obtain sufficient appropriate audit evidence to confirm the reasonableness of the cash flow forecast and the related assumptions, conditions and events to support management's assessment of the group and company's viability in the foreseeable future. I was unable to confirm the going concern assessment by alternative means. Consequently, I was unable to confirm or dispel whether it is appropriate to prepare the consolidated and separate financial statements using the going concern assumption.

Trade and other receivables

6. I was unable to obtain sufficient appropriate audit evidence for uncleared control accounts and other receivables due to a lack of proper record keeping and reconciliation of control accounts. As at the date of this auditor's report, management was still in the process of manually clearing these uncleared control accounts. I was unable to confirm these uncleared control accounts and other receivables by alternative means. Additionally, the group and company raised an impairment on these control accounts. I was also unable to confirm the appropriateness of the impairment by alternative

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means. Consequently, I was unable to determine whether any further adjustments were necessary to uncleared control accounts and other receivables stated at R740 761 000 (2022: R1 668 350 000) and R740 549 000 (2022: R1 668 130 000) and impairment stated at R398 536 000 (2022: R190 194 000) in note 14 to the consolidated and separate financial statements respectively. Additionally, this also impacted other operating expenses.

7. Trade receivables, uncleared control account and other receivables were further not presented in accordance with IAS 1, Presentation of financial statements, which requires assets and liabilities be reported separately. This resulted in the trade receivables, uncleared control accounts and other receivables disclosed in note 14, being understated by R129 904 000 and R700 941 000 respectively while trade payables and postbank payables sassa billings disclosed in note 23 being understated by R700 941 000 and R129 904 000 respectively, to the consolidated and separate financial statements.

Trade and other payables

8. I was unable to obtain sufficient appropriate audit evidence for trade and other payables due to poor status of accounting records. I was unable to confirm trade and other payables by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to trade and other payables stated at R9 517 145 000 (2022: R8 786 156 000) and R9 490 656 000 (2022: R8 732 368 000) in note 23, to the consolidated and separate financial statements.

Property Plant and equipment

9. The group and company did not perform an adequate impairment assessment for property, plant and equipment in accordance with IAS 36, Impairment of assets, as possible indicators of impairment considerations existed at year end. I was unable to determine the exact impact to the property, plant and equipment as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence for the fair values of property plant and equipment determined by the group and company, as the fair-value assessment provided for audit purposes did not have accurate and complete audit evidence to support the assumptions made by the company. I was unable to confirm the assessments by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to property plant and equipment stated at R2 302 390 000 and R2 302 176 000 in note 3 and related depreciation stated at R92 119 000 and R92 020 000 in note 34, to the consolidated and separate financial statements.

Investment properties

10. I was unable to obtain sufficient appropriate audit evidence for the fair values of investment property determined by the group and company, as the fair value assessment did not contain sufficient information to support the assumptions made by the group and company. I was unable to confirm the assessments by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to investment property stated at R241 847 000 (2022: R252 737 000) and R168 762 000 (2022: R179 526 000) in note 5, to the consolidated and separate financial statements.

Lease liabilities

11. The group and company did not account for lease liabilities in accordance with IFRS 16, Leases. The public entity used contractual amounts in determining these lease liabilities, instead of actual payments as required by the standard. Consequently, lease liabilities were understated by R93 000 000 (2022: R195 234 000) in note 4 to the consolidated and separate financial statements. Additionally, the lease liabilities included in finance cost in note 36, and the cash flow from financing activities were misstated in the consolidated and separate financial statements. I was unable to determine the exact impact on finance costs and cash flow from financing activities as it was impracticable to do so.

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Non-current assets held-for-sale

12. The group did not account for non-current assets held-for-sale as required by IFRS 5, Non-current assets held-for-sale and discontinued operations. The criteria for recognition was not met as the sale was not highly probable in the next twelve months. I was unable to determine the exact impact to non-current assets held-for-sale as it was impracticable to do so. Furthermore, I was unable to obtain sufficient appropriate audit evidence for the fair values as the assessment did not contain sufficient information to support the assumptions made by the group and company. As a result, I was unable to confirm the assessments by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to non-current assets held-for-sale stated at R104 309 000 (2022: R144 367 000) and R99 459 000 (2022: R126 767 000) in note 17, to the consolidated and separate financial statements.

Financial services revenue

13. During 2022, I was unable to obtain sufficient appropriate audit evidence that financial services revenue had been properly accounted for, due to the failure of support systems. I was unable to confirm financial service revenue by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to financial service revenue stated at R1 256 295 000 in note 29 to the consolidated and separate financial statements. My audit opinion on the financial statements for the period ended 31 March 2022, was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the financial service revenue for the current period.

Other operating expenditure

14. I was unable to obtain sufficient appropriate audit evidence that operating leases for the current year had been properly accounted for, due to the poor status of the accounting records. I was unable to confirm the operating leases by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to operating leases stated at R240 691 000 and R240 286 000 in note 32, to the consolidated and separate financial statements.

15. The entity did not recognise expenditure from municipal charges in accordance with the requirements of IAS 1, Presentation of financial statements. Some of the municipal expenses relating to prior year accounting period were recorded in the current year accounting period. Consequently, municipal expenses in note 32 of the consolidated and separate financial statements was overstated by R151 947 000 while accumulated loss was overstated by the same amount.

16. I was unable to obtain sufficient appropriate audit evidence that other expenses had been properly accounted for, due to the poor status of the accounting records. I was unable to confirm other expenses by alternative means. Consequently, I was unable to determine whether any adjustments relating to other expenses stated at R336 201 000 and R324 693 000 in note 32 to the consolidated and separate financial statements, were necessary.

Finance cost

17. The group and company did not recognise all finance cost incurred in accordance with IAS 1, Presentation of financial statements. Finance cost relating to trade and other payables was understated by R251 004 000 in note 36 while trade payables were understated by the same amount in note 23 to the consolidated and separate financial statements.

Provisions

18. The group did not account for provisions as required by IAS 37, Provisions, contingent liabilities and contingent assets. The criteria for the recognition of a provision relating to management restructuring was met, as management had formally communicated restructuring plans. I was unable to determine the impact on the provisions stated at R307 894 000 and R305 882 000 in note 22 in the consolidated and separate financial statements, as it was impracticable to do so.

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

Cash flows from operating activities

19. The group and company did not correctly prepare and disclose the statement of cash flows in accordance with IAS 7, Statement of cash flows. Cash receipts from government grant were not presented separately in the statement of cash flows in contravention with the standard. As a result, cash receipts from customers for the group and company stated at R4 332 722 000 (2022: R 3 740 448 000) and R4 078 732 000 (2022: R3 546 897 000), is overstated by an amount of R519 273 000, while government grant is understated by the same amount.

Other financial assets

20. The group and company did not disclose other financial assets in accordance with IFRS 7, Financial instruments disclosures, as the group omitted to disclose the details of the full amounts withdrawn from the post-retirement medical aid fund and how the amounts were utilised. Furthermore, I was unable to determine the full amount withdrawn as the supporting information for the withdrawal was not provided. I was unable to confirm other financial assets by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to other financial assets stated at R95 805 000, in note 10 to the consolidated and separate financial statements. In addition, there was an impact on cash and cash equivalents disclosed in note 16, to the consolidated and separate financial statements.

Cash and cash equivalents

21. During 2022, the group did not present other cash and cash equivalents in accordance with IAS 1, Presentation of financial statements, as cash in transit was incorrectly accounted for as uncleared control accounts and other receivables. In the prior year, the group incorrectly classified other cash and cash equivalents as other receivables. Consequently, the corresponding figure for other cash and cash equivalents was understated by R76 497 300 and uncleared control accounts and other receivables was overstated by R76 497 300, in note 16 and 14 respectively, to the consolidated and separate financial statements. My audit opinion on the financial statements for the period ended 31 March 2022 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability cash and cash equivalents and uncleared control accounts and other receivables for the current period.

Funds collected on behalf of third parties

22. During 2022, I was unable to obtain sufficient appropriate audit evidence that funds collected on behalf of third parties had been properly accounted for due to the poor status of accounting records. I was unable to confirm the funds collected on behalf of third parties by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to funds collected on behalf of third parties stated at R467 893 000, in note 27 to the consolidated and separate financial statements. My audit opinion on the financial statements for the period ended 31 March 2022, was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of funds collected on behalf of third parties for the current period.

Prior period errors and Comparative figures

23. I was unable to obtain sufficient appropriate audit evidence that prior period errors had been properly accounted for, due to the poor status of the accounting records. I was unable to confirm the prior period errors by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to note 43 of the consolidated and separate financial statements.

Financial instruments and risk management

24. I was unable to obtain sufficient appropriate audit evidence relating to financial instrument and risk management, due to the multiple errors affecting the disclosure. I was not able to determine the full extent of the errors to financial instruments and risk management by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the related financial instrument and risk management information, for the current and prior year as disclosed in note 44, to the consolidated and separate financial statements.

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Contingent liabilities

25. The group did not account for contingent liabilities as required by IAS 37, Provisions, Contingent Liabilities and Contingent Assets, due to incorrect classification, as the recognition criterion relating to contingent liabilities were not met. Consequently, contingent liabilities are overstated by R64 939 000 in note 48, to the consolidated and separate financial statements.

Emphasis of matters

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

Loan to group companies

27. As disclosed in note 9 to the financial statements, a material impairment was raised of R711 496 000, as a result of the impairment of the loan to the Courier and Freight Group (Pty) Ltd.

Material losses due to criminal conduct

28. As disclosed in note 51 to the financial statements, material losses amounting to R138 080 000 for group and company, were incurred as a result of the fraud and theft.

Other matter

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

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

30. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23, in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 50 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Sapo. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

31. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

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

32. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the International Financial reporting Standards and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act,2008 (Act No. 71 of 2008) (Companies Act); and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

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

35. I am independent of the group in accordance with the International ethics standards board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

36. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objectives presented in the annual performance report. The public entity is responsible for the preparation of the annual performance report.

37. I selected the following strategic objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected objectives that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic Objective	Page numbers	Purpose
Building Capacity and Capability	27	Optimise core business processes and systems which stabilise the business and enhance the efficient operating of the organisation. To enhance the customer experience at all points of presence through effective delivery of services, including government services, to all communities.
Digitalisation & Modernisation	28	Optimise core business processes and systems which stabilise the business and enhance the efficient operating of the organisation.

38. I was engaged to evaluate the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. An annual performance report prepared using this criteria provides useful and reliable information and insights to the user of the report on the public entity planning and delivery on their mandate and planned objectives.

39. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

40. The material findings on the performance information of the selected objectives are as follows:

Building Capacity & Capability

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

KPI 7.2 – Achieve domestic and international courier delivery standards.

41. An achievement of 46,8% Domestic and 39,1% EMS reported against a target of 92%. However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

KPI 7.3 – Resolution of customer complaints recorded at the call centre within 7 days.

42. An achievement of 79% was reported against a target of 100%. I could not determine if the reported achievement was valid, accurate and complete, as supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Digitalisation & Modernisation

KPI 8.1 Maintain system uptime at online Post Office branches.

43. An achievement of 97,86% was reported against a target of 98%. However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

KPI 8.2 Implementation of critical modernisation and digitalisation programmes.

44. An achievement of 42,73% was reported against a target of 100%. However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

REPORT ON COMPLIANCE WITH LEGISLATION

45. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

46. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

47. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

48. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

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

Revenue management

49. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Annual financial statements, performance and annual report

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

51. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.

Strategic planning and performance management

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

- The South African Post Bank SOC Ltd
- The Courier and Freight Group (Pty) Ltd
- The Document Exchange (Pty) Ltd
- SAPOs Properties (East Rand) (Pty) Ltd
- SAPOs Properties (Bloemfontein) (Pty) Ltd
- SAPOs Properties (Cape Town) (Pty) Ltd
- SAPOs Properties (Port Elizabeth) (Pty) Ltd
- SAPOs Properties (Rossburgh) (Pty) Ltd

Procurement and contract management

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

54. Procurement by other means was not provided in the SCM policy of the institution or did not cover at least the minimum requirements as required by PFMA Instruction Note 3 of 2021/22 par. 4.3 and 4.4.

55. Deviations and procurement by other means are not provided in the SCM policy are not in line with the circumstances provided in the SCM policy under which the procurement can occur as required by PFMA instruction note no.3 of 2021/22 par. 4.3 and 4.4(c).

56. Deviation processes followed in respect of identifying prospective suppliers are not in line with the process prescribed in the institution's the SCM policy as required PFMA instruction note no.3 of 2021/22 par. 4.4(d).

57. Some of the contracts were awarded to bidders based on pre-qualification criteria that were not stipulated in the original invitation for bidding and quotations, in contravention of the 2017 Preferential Procurement Regulation 4(1) and 4(2).

Expenditure Management

58. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 50 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by the group and company not following supply chain management processes.

59. Effective steps were not taken to prevent fruitless and wasteful expenditure as disclosed in note 50 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest and penalties for late payments.

Consequence Management

60. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

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

61. Allegations of theft and fraud which exceeded R100 000 were not reported to the SAPS, as required by section 34(1) of the Precca.

INTERNAL CONTROL DEFICIENCIES

62. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

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

64. The action plans to address the internal control deficiencies were not adequately implemented and monitored. The continued capacity constraints at in the accounting authority continued to have impact on the effectiveness of the accounting authority. The accounting authority did not exercise oversight on the financial statements and the annual performance report before submitted for audit. We identified material misstatements to the financial statements and annual performance report submitted for audit that were previously reported.

65. Leadership did not exercise oversight responsibility regarding financial reporting, compliance and related internal controls to ensure that compliance requirements are met in order to prevent irregular and fruitless and wasteful expenditure and consequence management. The entity continued to incur irregular and fruitless and wasteful expenditure.

66. Poor awareness/rolling out of policies and procedures with regards to compliance with SCM policy, procedures and other laws and regulations as non-compliance findings were identified in procurement and contract management.

67. Leadership did not act on a timely basis on the internal audit unit's recommendations or reports, thus negatively affecting its effectiveness as an assurance provider to the leadership of the entity as numerous misstatements and findings were identified in the financial statements, annual performance report and compliance with relevant legislations.

68. Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information were not adequately prepared by management, which resulted in the material disagreements and limitations on reported information in the financial statements and performance report.

69. There were material differences due to lack of reconciliations, including those relating to the cash pay point and over the counter grant transactions, and a disappearance of a significant correcting journal with its supporting evidence, which were indicative of significant fraud risk factors. These were not properly investigated which contributed to the limitations that informed the disclaimer of opinion. However, for the legislated requirement to perform the audit of the entity, I would have withdrawn from the engagement in terms of the ISAs.

70. The design and implementation of formal controls over information technology systems were not adequate to ensure the reliability, accuracy and availability of the data processed in these systems, resulting in weak IT controls. The weak IT control environment was due to the use of legacy IT infrastructure as material misstatements on financial statements and performance information were identified relating to limitations.

71. Controls over daily and monthly processing and reconciling of transactions were not adequately implemented by management due to the findings raised on Trade and other receivables and trade and other payables.

72. There are no systems in place to ensure that the investigations of confirmed fruitless and wasteful expenditure are performed independently and objectively in order to produce effective outcomes that will inform appropriate disciplinary measures for the transgressors as non-compliance findings were identified on consequence management.

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

MATERIAL IRREGULARITIES

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

Material irregularities identified during the audit

74. The material irregularities identified are as follows:

Highest scoring supplier not awarded the contract

75. Section 2(1)(f) of the Preferential Procurement Policy 5 of 2000 requires that an organ of state must determine its preferential procurement policy and implement it within the following requirements of the framework: the contract must be awarded to the tenderer who scores the highest points, unless objective criteria in addition to those contemplated in paragraphs (d) and (e) justify the award to another tenderer.

76. The public entity awarded a contract to a supplier that did not score the highest points as the one that should have scored the highest points was disqualified without valid reasons. It was noted that the supplier was disqualified due to not complying with the pre-qualifying criteria, which is the submission of a project plan not exceeding six (6) months. This was assessed and found not to be the case. This related to a tender advertised on 20 August 2017.

77. There was no direction or indication on when the order date would be when the advert was placed, and as such, the suppliers used their own assumed dates for the project plan. In this instance, service provider assumed, in the absence of the commencement date or date of order in the advert, that the commencement date or the date of order will be before the Christmas season, hence the service provider made a disclaimer that the project plan submitted, excluded the four (4) weeks festive season shut down.

78. The non-compliance was likely to result in a material financial loss of R4 117 000 as the price of the service from the winning bidder was higher than the price submitted by the bidder who potentially would have scored the highest points, had they not been unduly disqualified.

79. The accounting authority was notified on 30 June 2022 and invited to make a written submission on the actions taken and those that will be taken to address the matter. The accounting authority responded to the notification on 19 July 2022 and it was determined that, based on the response, appropriate actions were not taken. The formal determination was communicated to the accounting authority on 8 November 2022.

80. Subsequent to the determination, the accounting authority submitted further response to the notification indicating that the contract had been cancelled. There was an agreement entered into on 2 December 2022, to this effect. No party was held responsible.

81. I have considered the submission and concluded that the MI is resolved.

Status of previously reported material irregularities

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

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

83. I notified the acting accounting authority (AA) of the material irregularity (MI) on 12 November 2020, and provided them with an opportunity to respond. The AA responded on the 16 February 2021 and indicated that they were not the appropriate AA, and therefore could not take any action as an agreement had been reached

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

to transfer ownership of the IGPS system from Sapo to Postbank effective from 8 January 2021 in line with transfer of the Postbank division from the group to its own stand-alone entity which is not consolidated into the group.

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

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

86. As reported in the prior year, progress received then from the DPCI dated 14 July 2022 indicated that Sapo had terminated the contract of a service provider (card manufacturer and supplier) and further reported them to the National Treasury as an unfit and dishonest service provider.

87. The DPCI further submitted a compliance file to the AGSA, which mainly covered compliance which was already dealt with by the auditors and some actions that Sapo had already taken as it contained the same information provided to the audit team during the audit of the MI relating to the procurement process and consequence management already implemented by Sapo internally.

88. I therefore concluded and responded to the DPCI indicating that the process completed thus far, has not yet dealt with the fraud considerations highlighted in the MI referred to them and I have since awaited responses or progress on the actions taken on the fraud element of the MI.

89. Further progress reporting received from the DPCI on 27 July 2023, indicated that they intended handing over the matter to the National Treasury. It was reported that subsequent to a meeting with the National Treasury, the parties agreed to hand the matter to the DPCI: Forensic Accounting Investigation for assessment.

90. I will follow up on the progress made during the next audit.

Auditor-General

Pretoria
31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected strategic objectives and on the entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 50(3); 50(3)(a); 50(3)(b) Section 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 52(b); Section 53(4); Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56; Section 57(b); 57(d); Section 66(3)(a)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 29.1.1; 29.1.1(a); 29.1.1(c;); 29.2.1; 29.2.2; 29.3.1 Regulation 31.2.5; 31.2.7(a) Regulation 33.1.1; 33.1.3
Companies Act No.71 of 2008	Section 30(3)(b)(i); 33(1)(a) Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1)(b); 46(1)(c') Section 72(4)(a); Section 75(6); Section 86(1); 86(4); Section 88(2)(d); Section 112(2)(a); Section 129(7)
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Companies Regulations	Regulation 30(2); 43(2)(a)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5; Paragraph 9.1; 9.2 Paragraph 10.1; 10.2; Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2; 4.2 (b); 4.3; 4.4; 4.4 (c);4.4(d); 4.6 Paragraph 5.4
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Paragraph Par 5.5.1(iv); 5.5.1(x)
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1;6.2;6.7
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
Competition Act	Section 4(1)(b)(ii)
NT instruction note 4 of 2015/16	Paragraph 3.4
CIBD Act 18(1)	Reg. 17; 25(7A)
NT Instruction note 5 of 2020/21	Paragraph 5.3; 2; 4.8; 4.9

Director's Responsibility and Approval

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

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Business Rescue Practitioners (BRP) appointment was ratified at a meeting of creditors in terms of section 147 of the Companies Act 71 of 2008 on 24 July 2023 (refer to point 15 of the directors report).

In terms of section 140 (1) (a) and (b) of the Companies Act :1) "During a company's business rescue proceedings, the business rescue practitioner ("BRP"), in addition to any other powers and duties set out in Chapter 6 of the Companies Act -

1.1 has full management control of the company in substitution for its board and pre-existing management;

1.2 may delegate any power or function of the practitioner to a person who was part of the board or pre-existing management of the company;

In terms of Section 49 of the Public Finance Management Act, the BRPs are therefore considered to be the Accounting Authority.

Accordingly, the CEO and CFO were authorised to approve and sign the financial statements. As the BRP's had only just commenced their duties with full effect from 25 July 2023, they are accordingly not be in a position to support, explain or justify the amounts, disclosures, representations and judgements contained in these financial statements.

The consolidated and separate financial statements set out on pages 109 to 231, which have been prepared on the going concern basis, were approved by the directors on 25 July 2023 and were signed on their behalf by:

Approval of financial statements

Chief Executive Officer
Ms Nomkhita Mona
Date: 25 July 2023

Approval of financial statements

Chief Financial Officer
Ms Fathima Gany-Ahmed
Date: 25 July 2023

Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate financial statements of the South African Post Office (SOC) Limited and its Subsidiaries for the year ended 31 March 2023.

1. Incorporation

The Company was incorporated on 30 September 1991 and obtained its certificate to commence business on the same day.

The Company's registered address is 497 Sophie de Bruyn street, Pretoria, 0001.

2. Ultimate holding entity

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

3. Nature of business

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

The activities of the Group are undertaken through the company and its principal subsidiaries.

The Group operates principally in South Africa.

The business of the Group is:

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

The business of the Group is conducted through its operations as well as its operating subsidiaries within logistics, namely the Courier and Freight Group (CFG) and Document Exchange (DOCEX). These divisions and subsidiaries are responsible for all the trading activities of the Group, which are conducted through the mail distribution network as well as the infrastructure of service points available throughout the country. The main support divisions in the Group are: Strategic Planning, Finance and Supply Chain Management, Human Resources, Information Technology, Internal Audit, Property Management, Commercial, and Governance and Compliance.

Directors' Report

4. Directorate

Directors	Office	Designation	Changes
Ms NP Mona	Group Chief Executive Officer	Executive	Appointed Thursday, 01 April 2021
Ms F Gany-Ahmed	Group Chief Financial Officer	Executive	Appointed 01 March 2023
Mr SLM Majombozi	Acting Chairperson	Non-executive	Resigned 25 May 2023
Ms NP Ngonyama	Other	Non-executive	Resigned 23 May 2023
Mr ST Nkese	Other	Non-executive	Resigned 25 May 2023
Mr TJ Ntetho	Other	Non-executive	Resigned 25 May 2023
Mr DJ Wigston	Stamp Advisory Member	Other	Resigned 25 May 2023
Prof G Younge	Stamp Advisory Member	Other	Resigned 25 May 2023

Appointment of Business Rescue Practitioners - refer to 15 below.

Directors' and officers' interests in contracts

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

6. Certification by Company Secretary

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

7. Auditors

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

8. Review of financial results and activities

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

All amounts are rounded to the nearest thousands, except when otherwise indicated.

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

The operating environment remained challenging for the SA Post Office during the current financial year.

The group recorded a net loss after tax for the year ended 31 March 2023 of R2 162 million (2022: R2 235 million) and a negative net asset value of R7 479 million (2022: R5 250 million)

Group revenue decreased by 23.18% from R3 031 million in the prior year to R2 329 million for the year ended 31 March

Directors' Report

2023. The mail revenue continued to be depressed driven mainly by the decline in mail volumes, logistics volumes and loss of customers. The mail revenue business represents 61% of total company revenues.

9. Property, plant and equipment, and investment property

There was no significant change in the nature of the property, plant and equipment of the group or in the policy regarding their use.

As at 31 March 2023 the group's property and plant and equipment and investment property amounted to R2 544 million (2022: R2 658 million), of which R2,7 million (2022: R10,5 million) was added in the current year through additions.

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

The group has commitments in respect of contracts placed for capital expenditure to the amount of R40 million (2022: R44 million). Refer to note 47 for details.

10. Dividends

The Company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board of directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may pass on the payment of dividends. Given the current constrained cash flows of the Company, the board of directors has not declared a dividend by the SA Post Office during the financial year ended 31 March 2023 (2022: R0).

11. Monitoring of fruitless, wasteful and irregular expenditure

Financial Misconduct Framework (FMC) has been established and mandated through the group's financial misconduct policy to regulate, monitor and report on all fruitless, wasteful and irregular expenditure and institute management consequences that need to be implemented.

All identified fruitless and wasteful expenditure for the group under investigation as at 31 March 2023 amount to an accumulated balance of R153 million of fruitless and wasteful expenditure (2022: R218 million). Refer to note 50 for more detail.

All identified irregular expenditure for the group under investigation as at 31 March 2023 amount to an accumulated balance of R156 million of irregular expenditure (2022: R567 million). Refer to note 50 for more detail.

12. Insurance and risk management

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

13. Special resolutions

No special resolutions, the nature of which might be significant to the shareholder in their appreciation of the state of affairs of the company were made during the period covered by this report.

14. Events after the reporting period

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

15. Going concern

Based on government support we, the directors, believe that the company will have adequate financial resources to continue in operation for the foreseeable future accordingly, the annual financial statements have been prepared on a going concern basis. The SA Post Office is a State-Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas, including rural areas and small towns within the Republic of South Africa. The Post Office infrastructure and Post Office branch network exists to render these Universal Postal Services that all citizens are entitled to.

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

Directors' Report

Material uncertainty

The conditions noted below resulted in a material uncertainty that might cast significant doubt on SAPO's ability to continue as a going concern:

- Pending legal or regulatory proceedings against the Company exist that, if successful, may result in claims the Company is unlikely to have the means to meet. On 09 February 2023, a judgement was issued to place SAPO under provisional liquidation which led to a Provisional Liquidator being appointed on 30 March 2023.
- The Company was subsequently placed under business rescue on 10 July 2023 by the North Gauteng Division of the High Court of South Africa. Mr Anooshkumar Rooplal and Mr Juanito Martin Damons were appointed as joint interim business rescue practitioners in respect of the business rescue proceedings subject to approval by the Registrar of Financial Services and ratification by the majority of SAPO's creditors. Approval was obtained from the FSCA on 14 July 2023, and the joint BRP's appointment was ratified at a meeting of creditors in terms of section 147 of the Companies Act 71 of 2008 on 24 July 2023.
- The impact of the business rescue cannot yet be quantified as management awaits the adoption of the business rescue plan in terms of section 152 of the Companies Act.
- The Group recognised recurring losses for the year of R2 162 million and R2 235 million for the years ended 31 March 2023 and 31 March 2022 respectively, as disclosed in the statement of comprehensive income.
- The Company gave notice to Communications Worker Union (CWU), South African Postal Workers Union (SAPWU) and non-unionised employees in terms of Section 189 and 189(a) of the Labour Relations Act 66 of 1995, communicating possible dismissal of 6,000 of its 12,600 total employees due to operational requirements.
- As at the reporting date, the Group was in net liability financial position, with total liabilities exceeding total assets by R7 479 million (2022: R5 250 million) and current liabilities exceeding current assets by R9 740 million (2022: R7 856 million). This is reflected adversely in key financial ratios including the Group's gearing ratio, which stood at 2.69% (2022: 1.82%) on the reporting date.
- Instances of late payments to commercial and statutory creditors have occurred, and the ability of the Group to comply with agreements is constrained.
- The Group experienced negative operating cash flows in the current financial year. These circumstances are projected to persist in over the next twelve months.
- The Group has suffered limited ability to obtain financing for essential operational and strategic initiatives.
- The Group has experienced loss of key management without replacement.

The ability of the Group to execute its strategy to continue as a going concern is dependent on continued support from Government (discussed below).

Mitigating conditions: Shareholder's Intent

The SA Post Office is a State-Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas within the Republic of South Africa, including rural localities and small towns. SAPO's ongoing mandate to distribute social grants on behalf of SASSA is indicative of government's view of SAPO's role as integral to fulfilling the delivery of such government services in the foreseeable future.

SAPO's current duties include the provision of significant government services (such as distribution of grants and the delivery of Digital Terrestrial Television set-top boxes) that have social impact. In catering for communities low-income and rural that are underserved by commercial operators, SAPO's activities also alleviate critical market failures that, given their nature, are largely beyond the reach of the private sector to address.

Management current understanding of SAPO's status is that there is no intention from the Department/Ministry (as shareholder representative) and the Board to liquidate SAPO or to cease its operations. The support of the shareholder for SAPO to continue operating is demonstrated by the fact that National Treasury has granted, in the 2022 financial year, MTEF Funding of R1,6 billion allocated to fund the public service mandate for the 2022/24 to 2025/26 financial years, and a further R2,4 billion second adjustment appropriation.

Directors' Report

As communicated by the Minister to Parliament on 03 May 2023:

"The Cabinet has already approved the Post Office of Tomorrow Strategy which reviews SAPO's operating model to restructure it in such a way that it can operate as a sustainable, productive and efficient entity. It thus eliminates organisational duplications and inefficiencies by restructuring the organisation in such a way that the entity is positioned to become a modern, sustainable entity over the short to medium term.

The priority focus areas of the Post Office of Tomorrow strategy include repositioning the entity to become:

- A Leading Logistic Service Provider for South Africa and region;
- A Logistic service partner to other e- commerce and logistics players, including SMMEs and informal traders nationally and internationally based on its expansive postal network;
- An e-Commerce hub for South Africa and the region;
- Business digital hubs that also serve as digital hubs for communities; and
- Designated Authentication Authority that also fulfils its role as a national Trust Centre in the age of digital identity and services.

To give effect to the Post Office of Tomorrow Strategy, the Department has already embarked on the amendments to the SAPO Act and as such the SAPO Amendment Bill has already been introduced in Parliament for processing.

Government's main objective is to ensure that this entity is repositioned, modernised, and continues to serve the millions of South Africans it has been serving over the past 200 years. As reported here today and to the Portfolio Committee earlier in the week, much of the spade work has already been done and we are in the process of laying the bricks towards activating the Post of the Future."

Based on the above, management is of the opinion that the going concern assumption adopted is appropriate under the circumstances.

16. Litigation statement

The company becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. Refer to note 48 for more details regarding these.

Except for those mentioned in note 48: Contingencies, there are no further legal or arbitration proceeds which have had a material effect on the company's financial position.

17. Business rescue

As discussed above, the Company was placed under business rescue on 10 July 2023 by the North Gauteng Division of the High Court of South Africa. Interim business rescue practitioners were appointed in respect of the business rescue proceedings subject to approval by the Registrar of Financial Services and ratification by the majority of SAPO's creditors. Approval was obtained from the FSCA on 14 July 2023, and the joint BRP's appointment was ratified at a meeting of creditors in terms of section 147 of the Companies Act 71 of 2008 on 24 July 2023.

18. Date of authorisation for issue of financial statements

The separate and consolidated annual financial statements have been authorised for issue by the Board of Directors on 20 July 2023.

19. Acknowledgements

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

Statement of Financial Position as at 31 March 2023

		Group			Company		
Figures in Rand thousand	**Note(s)**	**2023**	**2022 Restated ***	**2021 Restated ***	**2023**	**2022 Restated ***	**2021 Restated ***
Assets							
Non-Current Assets							
Property, plant and equipment	3	2 302 390	2 405 262	2 307 708	2 302 176	2 404 949	2 305 066
Right-of-use assets	4	295 417	375 551	732 059	292 597	370 848	729 863
Investment property	5	241 847	252 737	307 566	168 762	179 526	224 897
Heritage assets	6	46 247	46 247	46 247	46 247	46 247	46 247
Intangible assets	7	1 449	2 953	1 595	1 449	2 953	1 595
Investments in subsidiaries	8	-	-	-	31 933	31 933	31 933
Other financial assets	10	94 333	489 688	1 018 006	94 333	489 688	1 018 006
Operating lease asset	11	5 483	1 862	3 118	5 465	1 862	3 076
Retirement benefit asset	12	50 484	47 200	44 672	50 484	47 200	44 672
Deferred tax	21	6 696	6 226	6 147	-	-	-
		3 044 346	**3 627 726**	**4 467 118**	**2 993 446**	**3 575 206**	**4 405 355**
Current Assets							
Loans to group companies	9	-	-	-	-	-	-
Other financial assets	10	1 472	143 774	362 013	1 472	143 774	362 013
Operating lease asset	11	226	466	3 627	206	436	3 516
Inventories	13	48 128	47 242	56 797	47 744	46 847	56 690
Trade and other receivables	14	684 190	1 834 589	1 798 975	677 345	1 826 455	1 789 150
Prepayments	15	899	2 418	2 384	899	2 418	2 384
Current tax receivable		12	110	76	-	-	-
Cash and cash equivalents	16	539 493	605 642	1 649 308	516 464	580 174	1 624 947
		1 274 420	**2 634 241**	**3 873 180**	**1 244 130**	**2 600 104**	**3 838 700**
Non-current assets held-for-sale	17	104 309	144 367	-	99 459	126 767	-
Total Assets		**4 423 075**	**6 406 334**	**8 340 298**	**4 337 035**	**6 302 077**	**8 244 055**
Equity and Liabilities							
Equity							
Share capital	18	8 164 116	8 164 116	8 164 116	8 164 116	8 164 116	8 164 116
Reserves		1 990 338	2 048 821	1 826 101	1 990 338	2 048 821	1 826 101
Accumulated loss		(17 633 259)	(15 463 262)	(13 142 645)	(17 660 377)	(15 477 707)	(13 155 878)
		(7 478 805)	**(5 250 325)**	**(3 152 428)**	**(7 505 923)**	**(5 264 770)**	**(3 165 661)**

Statement of Financial Position as at 31 March 2023

		Group			Company		
Figures in Rand thousand	**Note(s)**	**2023**	**2022 Restated***	**2021 Restated***	**2023**	**2022 Restated***	**2021 Restated***
Liabilities							
Non-Current Liabilities							
Lease liabilities	4	180 396	201 651	495 397	177 324	198 126	494 247
Retirement benefit obligation	12	620 210	875 891	938 349	620 210	875 891	938 349
Deferred tax	21	17 668	20 014	18 761	-	-	-
Provisions	22	69 269	69 337	106 588	68 721	68 789	105 468
		887 543	**1 166 893**	**1 559 095**	**866 255**	**1 142 806**	**1 538 064**
Current Liabilities							
Lease liabilities	4	194 856	393 282	680 691	193 212	391 551	679 424
Operating lease liability	11	361	361	361	-	-	-
Retirement benefit obligation	12	95 510	136 124	151 608	95 510	136 124	151 608
Borrowings	20	215 869	207 897	202 750	215 869	207 897	202 750
Provisions	22	238 625	312 524	289 396	237 161	311 245	288 553
Trade and other payables	23	9 517 145	8 786 156	7 781 360	9 490 656	8 732 368	7 730 774
Financial liabilities at amortised cost	24	-	24 969	152 097	-	24 969	152 097
Contract liabilities	25	1 954	1 954	2 220	-	-	-
Deferred income	26	80 942	99 031	143 922	75 278	93 184	137 288
Current tax payable		58	765	68	-	-	-
Funds collected on behalf of third parties	27	669 017	467 893	376 924	669 017	467 893	376 924
Government grants	28	-	58 810	152 234	-	58 810	152 234
		11 014 337	**10 489 766**	**9 933 631**	**10 976 703**	**10 424 041**	**9 871 652**
Total Liabilities		**11 901 880**	**11 656 659**	**11 492 726**	**11 842 958**	**11 566 847**	**11 409 716**
Total Equity and Liabilities		**4 423 075**	**6 406 334**	**8 340 298**	**4 337 035**	**6 302 077**	**8 244 055**

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Rand thousand	**Note(s)**	**2023**	**2022 Restated ***	**2023**	**2022 Restated ***
Revenue	29	2 328 734	3 031 332	2 295 940	2 997 308
Other operating income	30	750 752	781 318	732 034	773 318
Other operating gains (losses)	31	(7 699)	(63 614)	(12 423)	(71 758)
Other operating expenses	32	(1 149 686)	(1 791 862)	(1 133 736)	(1 783 612)
Employee costs	33	(3 677 336)	(3 666 052)	(3 656 758)	(3 646 457)
Transport cost		(80 881)	(95 414)	(72 684)	(88 507)
Depreciation, amortisation and impairment losses	34	(336 214)	(546 249)	(334 333)	(544 060)
Operating profit (loss)		**(2 172 330)**	**(2 350 541)**	**(2 181 960)**	**(2 363 768)**
Investment income	35	942 201	1 071 754	940 845	1 070 903
Finance costs	36	(1 072 990)	(1 063 743)	(1 072 341)	(1 063 206)
Other non-operating gains (losses)	37	138 874	112 201	138 874	112 201
Loss before taxation		**(2 164 245)**	**(2 230 329)**	**(2 174 582)**	**(2 243 870)**
Taxation	38	2 468	(4 519)	-	-
Loss for the year		**(2 161 777)**	**(2 234 848)**	**(2 174 582)**	**(2 243 870)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		(8 220)	(224 482)	(8 088)	(224 751)
(Losses) gains on property revaluation		(22 829)	221 326	(22 829)	226 373
Gains (losses) on other financial assets adjustments	10	(35 654)	(3 653)	(35 654)	(3 653)
Total items that will not be reclassified to profit or loss		**(66 703)**	**(6 809)**	**(66 571)**	**(2 031)**
Other comprehensive income for the year net of taxation		**(66 703)**	**(6 809)**	**(66 571)**	**(2 031)**
Total comprehensive loss for the year		**(2 228 480)**	**(2 241 657)**	**(2 241 153)**	**(2 245 901)**

Statement of Changes in Equity

Figures in Rand thousand	Share capital	Revaluation resere	Mark-to-market reserve	Total reserve	Accumulated loss	Total equity
Group						
Opening balance as previously reported	8 164 116	1 781 388	44 713	1 826 101	(12 027 591)	(2 037 374)
Adjustments						
Prior year adjustments	-	-	-	-	(1 115 054)	(1 115 054)
Balance at 01 April 2021 as restated	**8 164 116**	**1 781 388**	**44 713**	**1 826 101**	**(13 142 645)**	**(3 152 428)**
Loss for the year	-	-	-	-	(2 234 848)	(2 234 848)
Other comprehensive income	-	221 326	(3 653)	217 673	(224 482)	(6 809)
Total comprehensive loss for the year	**-**	**221 326**	**(3 653)**	**217 673**	**(2 459 330)**	**(2 241 657)**
Prior year adjustments	-	-	-	-	143 760	143 760
Transfer to retained earnings	-	5 047	-	5 047	(5 047)	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**5 047**	**-**	**5 047**	**138 713**	**143 760**
Opening balance as previously reported	8 164 116	2 007 761	41 060	2 048 821	(14 295 144)	(4 082 207)
Adjustments						
Prior year adjustments	-	-	-	-	(1 168 118)	(1 168 118)
Balance at 01 April 2022 as restated	**8 164 116**	**2 007 761**	**41 060**	**2 048 821**	**(15 463 262)**	**(5 250 325)**
Loss for the year	-	-	-	-	(2 161 777)	(2 161 777)
Other comprehensive income	-	(22 829)	(35 654)	(58 483)	(8 220)	(66 703)
Total comprehensive Loss for the year	**-**	**(22 829)**	**(35 654)**	**(58 483)**	**(2 169 997)**	**(2 228 480)**
Balance at 31 March 2023	**8 164 116**	**1 984 932**	**5 406**	**1 990 338**	**(17 633 259)**	**(7 478 805)**
Note(s)	18		19			

Statement of Changes in Equity

Figures in Rand thousand	Share capital	Revaluation reserve	Mark-to-market reserve	Total reserves	Accumulated loss	Total equity
Company						
Opening balance as previously reported	8 164 116	1 781 388	44 713	1 826 101	(12 039 666)	(2 049 449)
Adjustments Prior year adjustments	-	-	-	-	(1 116 212)	(1 116 212)
Balance at 01 April 2021 as restated	**8 164 116**	**1 781 388**	**44 713**	**1 826 101**	**(13 155 878)**	**(3 165 661)**
Loss for the year	-	-	-	-	(2 243 870)	(2 243 870)
Other comprehensive income	-	226 373	(3 653)	222 720	(224 751)	(2 031)
Total comprehensive Loss for the year	**-**	**226 373**	**(3 653)**	**222 720**	**(2 468 621)**	**(2 245 901)**
Prior year adjustments	-	-	-	-	146 792	146 792
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**146 792**	**146 792**
Opening balance as previously reported	8 164 116	2 007 761	41 060	2 048 821	(14 311 596)	(4 098 659)
Adjustments Prior year adjustments	-	-	-	-	(1 166 111)	(1 166 111)
Balance at 01 April 2022 as restated	**8 164 116**	**2 007 761**	**41 060**	**2 048 821**	**(15 477 707)**	**(5 264 770)**
Loss for the year	-	-	-	-	(2 174 582)	(2 174 582)
Other comprehensive income	-	(22 829)	(35 654)	(58 483)	(8 088)	(66 571)
Total comprehensive Loss for the year	**-**	**(22 829)**	**(35 654)**	**(58 483)**	**(2 182 670)**	**(2 241 153)**
Balance at 31 March 2023	**8 164 116**	**1 984 932**	**5 406**	**1 990 338**	**(17 660 377)**	**(7 505 923)**
Note(s)	18					

The accounting policies on pages 115 to 136 and the notes on pages 137 to 231 form an integral part of the consolidated and separate financial statements.

Statement of Cash Flows

		Group		Company	
Figures in Rand thousand	**Note(s)**	**2023**	**2022**	**2023**	**2022**
Cash flows from operating activities					
Cash receipts from customers		4 332 722	3 740 448	4 078 732	3 546 897
Cash paid to suppliers and employees		(4 744 220)	(4 821 933)	(4 470 782)	(4 632 385)
Cash used in operations	**39**	**(411 498)**	**(1 081 485)**	**(392 050)**	**(1 085 488)**
Interest income		-	-	-	-
Finance costs	40	-	-	-	-
Tax (paid)		(957)	(3 856)	-	-
Net cash from operating activities		**(412 455)**	**(1 085 341)**	**(392 050)**	**(1 085 488)**
Cash flows from investing activities					
Disposal (purchase) of property, plant and equipment	3	(2 212)	(118 083)	(2 212)	(120 139)
Aquisition of right-of-use assets	3	-	(29 007)	-	(24 732)
Sale of investment property	5	8 718	2	8 718	-
Disposal (purchase) of other intangible assets	7	-	(246)	-	(246)
Disposal of financial assets at fair value		640 877	855 105	640 877	855 105
Changes in (disposal of) non-current assets held-for-sale		17 599	-	-	-
Interest Income		43 811	77 180	42 455	76 329
Dividends received		15 000	15 500	15 000	15 500
Net cash from investing activities		**723 793**	**800 451**	**704 838**	**801 817**
Cash flows from financing activities					
Proceeds from (repayment of) lease liabilities		(365 723)	(750 459)	(364 889)	(752 810)
Finance costs		(11 764)	(8 317)	(11 609)	(8 292)
Net cash from financing activities		**(377 487)**	**(758 776)**	**(376 498)**	**(761 102)**
Total cash movement for the year		**(66 149)**	**(1 043 666)**	**(63 710)**	**(1 044 773)**
Cash at the beginning of the year		605 642	1 649 308	580 174	1 624 947
Total cash at end of the year	**16**	**539 493**	**605 642**	**516 464**	**580 174**

Accounting Policies

1. Summary of significant accounting policies

South African Post Office (SOC) Limited is a Company incorporated in South Africa. Its parent and ultimate holding entity is the South African Government represented by the Department of Communication and Digital Technologies. The address of its registered office and place of business are disclosed in the director's report. The principal activities of the Company and its subsidiaries are also described in the directors' report.

The company's annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the requirements of the Public Finance Management Act and the Companies Act of South Africa.

The accounting policies applied in preparation of these annual financial statements are consistent in all material respects with those applied in the prior year, unless explicitly stated otherwise as changes in accounting policies. No standards were adopted before the effective date during the financial reporting period ended 31 March 2023.

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

The annual financial statements were prepared under the supervision of Ms Fathima Gany-Ahmed, Group Chief Financial Officer.

1.1 Basis of preparation

The consolidated and separate financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these financial statements and the Companies Act of South Africa, as amended.

These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the group and company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Financial statement preparation

Basis of consolidation

Subsidiaries

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

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

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the

Accounting Policies

Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the annual financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Fair value considerations

The consolidated annual financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and /or disclosure purposes in these consolidated annual financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability.

Current non-current distinction

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

(a) assets, as an asset that is:
i. expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
ii. held primarily for the purpose of being traded;
iii. expected to be realised within 12 months after the reporting period; or
iv. cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period;

(b) liabilities, as a liability that:
i. is expected to be settled in the entity's normal operating cycle;
ii. is held primarily for the purpose of being traded;
iii. is due to be settled within 12 months after the reporting period; or
iv. the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets include inventories and trade receivables that are sold, consumed or realised as part of the normal operating cycle and current liabilities include those liabilities that form part of the working capital used in a normal operating cycle of the entity, for example trade payables and accruals for employee benefits expense.

Accounting Policies

The principal accounting policies are set out below.

1.3 Significant judgements and sources of estimation uncertainty

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

Loans and receivables

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

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

Financial assets through other comprehensive income (OCI)

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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

Other items that are subject to fair value as a significant judgement and source of estimation and uncertainty include property, plant and equipment, and investment property. Further detail on the valuation of these items is provided in notes 3 and 5 respectively.

Impairment testing of non-financial assets

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

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

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

Accounting Policies

Provisions and contingent liabilities

Management's judgement is required when recognising and measuring provisions and when measuring contingent liabilities. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and discounted where the effect of discounting is material.

The discount rate used is the rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, all of which require management's judgement. The Group is required to recognise provisions for legal contingencies when the occurrence of the contingency is probable and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the reporting date.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns based on product type (Bulk Mail, Agency Services, Speed Services, Motor Vehicle Licenses, Franking, Business Reply Services, Other trade, Trust Centre)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 14.

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

Taxation

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

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

All capital assets are utilised through use except for land that is utilised through the sales tax rate.

Deferred income

Judgement is required when determining the deferred revenue due to the stage of completion of the revenue contract at year end. There are many transactions and calculations for which the ultimate deferred revenue determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated deferred income based on the stage

Accounting Policies

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 (IAS 19) requires that realistic assumptions be applied in the valuation and that this should be determined with reference to the yields on corporate stock of similar duration to the liabilities. The standard further indicates that if the corporate bond market is neither sufficiently deep nor liquid, reference should be made to the yields on government stock. For the purpose of this valuation, account has been taken of the yields on South African government stock as reflected in the yield curve of the Bond Exchange of South Africa. The basic inflation assumption has also been determined by reference to the inflation rate implied in the market by the difference between the yield on nominal and inflation linked government stock.

The demographic assumptions (e.g. mortality, withdrawal rates, etc.) have been based on standard actuarial tables and other assumption rates that are generally used in the market place for the valuation of liabilities of this nature. Allowance has been made for AIDS related deaths in respect of the long service and leave encashment benefits, but not the PRMA benefits, using the Actuarial Society of South Africa AIDS model.

The results of the valuation are highly dependent on the choice of assumptions and the relationship between them. Therefore, in order to assist the user in interpretation of the valuation, results show the impact on the liabilities of a number of different assumptions.

Actuarial valuations are performed on an annual basis.

Site restoration and dismantling cost

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

Estimation of useful lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account the residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance 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.

Key sources of estimation uncertainty

Trade and other receivables

Trade and other receivables include amounts related to cash recorded by SAPO as handed over to a security service provider for delivery but not acknowledged as received by SAPO branches. A portion of the amount is long outstanding, and a reconciliation by the service provider to confirm what balance is owed to SAPO was ongoing at the reporting date. The outcome of the reconciliation may affect the book value of these amounts recognised in future periods.

1.4 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present

Accounting Policies

and future generations. Heritage assets lie in contrast with property, plant and equipment, which are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

In the absence of an IFRS that specifically applies to a transaction, other event or condition, management develops an accounting policy in terms of IAS 8, which permits management to consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the requirements in IFRSs dealing with similar and related issues, and key definitions and concepts within the Conceptual Framework for Financial Reporting.

It is on this basis that the accounting treatment for heritage assets is informed by the requirements of GRAP 103 (Heritage Assets), issued by the Accounting Standards Board (South Africa).

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

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

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

Where heritage assets were acquired for no cost or nominal cost, its cost is measured at fair value on the date of acquisition.

A non-exchange transaction is a transaction where an entity receives or gives value to another entity without directly giving or receiving an approximate equal value in exchange. Examples include gifts, fines and grants.

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

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

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

Heritage assets are subsequently measured at the revalued amount less accumulated impairment losses.

Heritage assets have indefinite useful lives and are not depreciated.

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

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Service potential is the capacity to provide services that contribute to achieving the Group's objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows.

An asset is derecognised when it is disposed of or when no future economic benefits or service potential is expected. Any gain or loss is recognised in profit or loss. The revaluation surplus included in equity in respect of a heritage assets may be transferred directly to retained earnings when it is derecognised.

A heritage asset is not depreciated but the entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of

Accounting Policies

the heritage asset.

In assessing whether there is an indication that an asset may be impaired, the Group has considered, as a minimum, the following indications:

External sources of information:

(a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
(b) The absence of an active market for a revalued heritage asset.

Internal sources of information:

(a) Evidence is available of physical damage or deterioration of a heritage asset.
(b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

1.5 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value, which reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

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

1.6 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost including any cost directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating as intended by management. Land is not depreciated. Where any item comprises of major components with different useful lives, these major components are accounted for as separate items.

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

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

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

Accounting Policies

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

Land and buildings are subsequently stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

On revaluation, the carrying amount of the asset is adjusted to the revalued amount. At the date of revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset. The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount.

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

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation reserve in equity related to a specific item of property, plant and equipment is transferred directly to retained income when the asset is derecognised.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or derecognised.

The assumptions regarding estimated useful lives of items of property, plant and equipment at acquisition have been assessed as follows:

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

As the company re-assesses the useful lives of its assets each year, the remaining useful lives of some assets may be extended beyond or reduced beneath the initial estimates made at acquisition. Such extensions or reductions to individual assets are then updated and reflected within the fixed asset register.

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

Accounting Policies

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the group holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

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

1.8 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Neither the Group or the Company has intangible assets with indefinite useful lives.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

Accounting Policies

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. The amortisation period and the amortisation method for intangible assets are reviewed regularly

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

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

1.9 Interests in subsidiaries

Company annual financial statements

In the Company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the select entity; plus
- any costs directly attributable to the purchase of the subsidiary.

1.10 Financial instruments

Financial instruments held by the Group and Company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group and Company, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows);
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or

Note 44 Risk management presents the financial instruments held by the Group and Company based on their specific

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classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group and Company are presented below:

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions note 1.3
- Trade receivables note 14

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Loans to (from) group companies

Initial recognition and classification

Intragroup loans and receivables/(payables) are classified as financial assets/(financial liabilities). These include loans to and from subsidiaries and are recognised initially at fair value plus/(minus) direct transaction costs.

Subsequent measurement

Intragroup loans and receivables/(payables) are subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Financial liabilities at amortised cost

Initial recognition and classification

Financial liabilities at amortised cost consist of the advance payment received from SASSA. This advance is initially measured at fair value plus/(minus) direct transaction costs.

Subsequent measurement

Financial liabilities at amortised cost are subsequently measured at a fair value equal to a similar liability valued at a market interest rate.

The advance has been classified in this manner because the contractual terms of these advance give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to repay the contractual cash flows on this advance.

Accounting Policies

The difference in the fair value of the advance and the actual payments received is subsequently recognised as a government grant on year end.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, Value Added Tax and prepayments, are classified as financial assets subsequently measured at amortised cost (Note 14).

It has been classified in this manner because the contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group and Company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group and Company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other payables

Classification

Trade and other payables, excluding Value Added Tax and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group and Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the Group and Company to liquidity risk and possibly to interest rate risk. Refer to Note 44 for details of risk exposure and management thereof.

Cash and cash equivalents

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

Borrowings

Initial recognition and classification

The loan represents an internal, inter-divisional, balance that was converted to a company-level liability as a consequence of the separation of Postbank from SAPO. This loan is initially measured at fair value plus/(minus) direct transaction costs.

Subsequent measurement

Borrowings are subsequently measured at amortised cost using a publicly quoted market interest rate. Interest is calculated on an effective rate basis, on the principal amount of the loan, using a three term NRD rate.

The loan is considered to be current in nature because the company has no contractual right to unilaterally defer settlement of the liability for at least twelve months after the reporting period.

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1.11 Taxation

Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, to other comprehensive income.

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

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

1.12 Leases

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note 32) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with

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consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Details of leasing arrangements where the group is a lessee are presented in note 4, Leases (group as lessee).

Lease liability

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

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 4).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 36).

The group remeasures the lease liability, when applicable, in accordance with the following table:

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

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

Right-of-use assets

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

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

When the group incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position in note 22 Provisions.

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

Accounting Policies

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	Lease term
Motor vehicles	Straight line	Lease term
IT equipment	Straight line	Lease term
Computer software	Straight line	Lease term
Site restoration	Straight line	Lease term

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

Group as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 30).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.13 Inventories

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

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

The cost of inventories includes the purchase price and other costs incurred in bringing the inventories to their present location and condition.

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

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories - books, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories - booklets, envelopes and stamps recognised as an expense in the period in which the reversal occurs.

Accounting Policies

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

1.14 Non-current assets (disposal groups) held-for-sale or distribution to owners

A non-current asset or disposal group is classified as held-for-sale if its carrying amount will be recovered primarily through a sale transaction instead of through continuing use.

Assets held-for-sale are measured at the lower of the carrying value and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

1.15 Impairment of non-financial assets

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

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

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

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

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.16 Share capital and equity

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

1.17 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

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 and transferred to equity in the period in which they arise.

The post-benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation less the fair value of any plan assets. An asset resulting from this calculation is recognised only to the extent of any economic benefits available to the SAPO in the form of refunds or reductions in the future contributions (asset ceiling).

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

1.18 Funds collected on behalf of third parties

Funds collected on behalf of third parties consist of funds collected on behalf of third party clients from the customers of the company. These funds is paid over to the third party client within the 24 hours after collection from the customers.

These amounts are initially and subsequently recognised at the gross amount collected from the customers, and does not incur interest for the period the monies are held in the bank account of the company

1.19 Provisions and contingent liabilities

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

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

Accounting Policies

Contingent assets and contingent liabilities are not recognised.

1.20 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate for.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are deducted from the related expense.

1.21 Comparatives

During the financial year the Group elected to present the costs recognised in the statement of profit and loss in the format of the management results as this is considered to provide more reliable and relevant information. The comparative figures were also adjusted accordingly.

1.22 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the group receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the group initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, group determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Accounting Policies

1.23 IFRS 15 Revenue from contracts with customers

Revenue recognition

Revenue from contracts with customers is applied using a single model which is a five step-Model. The five-step model consist of the following steps:

- Identify the contract(s) with a customer
- Identify the separate performance obligations (PO) in the contract
- Determine the transaction price
- Allocate the transaction price to the separate performance obligations (PO)
- Recognise revenue when the entity satisfies a performance obligations (PO)

Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or services (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above, an entity satisfies the performance obligation at a point in time.

Measurement

When (or as) a performance obligation is satisfied, SA Post Office recognise as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained) that is allocated to that performance obligation.

Bulk mail revenue

Bulk-mail is a mail sorting and delivery service offered to customers with large mailing lists such as retail clothing companies. Bulk-mail revenue also include bulk parcels. Revenue from bulk-mail services is recognised at a point in time upon delivery of the mail to its destination (Postbox or physical address).The time of delivery is based on our mail delivery performance statistics. Bulk-mail revenue also includes collection services that is recognized at a point in time after collection.

Franking mail revenue

Franking refers to any devices, markings, or combinations thereof (franks) applied to mails of any class which qualifies them to be postally serviced. Franking mail revenue is recognized at a point in time when the mail is delivered to its destination. The time of delivery is based on our mail delivery performance statistics. Franking mail revenue also include license fees. License revenue is recognised at a point in time when SAPO and the customer becomes parties to a contract because the over time criteria are not met.

Hybrid mail revenue

Hybrid mail involves digital data being transformed into physical letter items at distribution print centres located as close as possible to the final delivery addresses. Hybrid mail revenue is recognised at a point in time when the mail is delivered to its destination (Postbox or physical address).

Photocopy, scan, printing and fax revenue

Revenue is recognised at a point in time when the promised goods/services (making photocopies, printing, scanning documents and faxing documents) are transferred to the customer.

Box revenue

These are amounts paid by customers for the rental of private post boxes (2nd postal addresses).The key deposit amount is recognised as a refund liability because it is refundable upon cancellation by the customer. Revenue is recognised on an accrual basis over the rented period. Box revenue also include the sale of locks which is recognized at a point in time when keys are transferred to customers.

Registered and domestic letters revenue

Registered letters are postal services in which a receipt is issued to the sender of a mail and the mail's destination address is recorded in a register. Upon its delivery, the recipient's signatures are taken on a form as proof of delivery to the specified addressee. Domestic letters will be delivered

Accounting Policies

without any signature or receipt taken by the recipient and cannot be tracked. In case the addressee is not found, the mail is returned to the sender. Registered and domestic letter revenue is recognised at a point in time when the letter is delivered to its destination. The time of delivery is based on our mail delivery performance statistics.

Agency revenue

Agency revenue is commission due to SAPO for collecting money on behalf of 3rd parties. Revenue from rendering of agency services is recognised at a point in time when funds collected are transferred to the customers.

Sale of philatelic products

Philatelic products are stamps or any other product issued during the year to commemorate special events in the country. Revenue is recognised at a point in time when the promised goods/services (sale of philatelic products) revenue are transferred to the customer. Philately revenue also includes the sale of stamps used for postal services which is recognized at a point in time when letters reach their destination. The time of delivery is based on our mail delivery performance statistics.

Retail revenue

Retail revenue includes sale of airtime, scanning services and other products. Revenue is recognised at a point in time when the promised goods/services are transferred to the customer.

Courier service revenue

Courier services refers to parcel/mail delivery. Revenue from courier services is recognised at a point in time when the parcel/mail is delivered to its destination. The time of delivery is based on our mail delivery performance statistics.

Expedited Mail Service (EMS) revenue

Expedited Mail Service is an international priority mail service that provides a fast and reliable door to door service for the dispatch of urgent goods such as tender documents, business papers, merchandise and samples. EMS revenue is recognised at a point in time upon delivery of the parcel to its intended destination. The time of delivery is based on our mail delivery performance statistics.

Terminal and transit dues (International revenue)

Terminal dues are amounts due to SA Post Office Limited for mail received from foreign postal administrators whose destination is South Africa. Transit dues are amounts due from international postal administrators for international mail which passes through SA Post Office Ltd in transit to its destination out of South Africa. Revenue from terminal and transit dues is recognised once the mail has been delivered to its destination in the case of terminal dues, and once it has been sent off to its next stop with regard to the latter. The time of delivery is based on our mail delivery performance statistics.

Stamps and envelope revenue

Stamp and envelope revenue is the sale of stamps and envelopes that will be used by customers when they post letters. Revenue from sale of stamps and envelopes is recognised at a point in time when the mail is delivered to its destination. The time of delivery is based on our mail delivery performance statistics.

Service charges

Service charges income is the revenue taken in by Postbank from account-related charges to customers. These charges often relates to charges in respect of personal current account and they include monthly charges for the provision of an account. Therefore revenue from service charges is recognised at a point in time (transactional fees) when the customer makes use of the account and over time (normal provision of an account) when the bank account is kept active.

Delivery address check revenue

This is the commission received from the postal address management service suppliers. The Postal Address Management Service Suppliers (PAMSS) is a group of companies who offer address quality checking services to customers on behalf of the entity. Revenue from licenses is recognised at a point in time when SAPO and customer become party to a contract. The license does not limit the number of records customers should perform quality checks on. For Commission and certification administration revenue, the performance obligation is satisfied at a point in time when SAPO provides the PAMSS(Client) with the certification to confirm that address quality checks were performed.

Accounting Policies

Business reply service revenue

With the BRS, businesses can offer their customer or prospective customers the incentive to reply without having to pay postage. Revenue from licenses will be recognised at a point in time when SAPO and customer become parties to a contract because the over time criteria are not met. The license does not limit the number of letters customers send to their addressees. BRS revenue also includes sale of envelopes for addressee to reply to customers. Revenue from the sale of envelopes is recognised at a point in time when envelopes are sold to customers.

Subscription fees

Subscription fee revenue is recognised on an accrual basis over the contract period.

Bar code roll revenue

Revenue is recognised at a point in time when the promised goods are transferred to the customer.

Secure mail revenue

This service provides a water-tight and cost effective security for credit cards, retail cards, share certificates, cell phones or any other item of value using advanced technology. Secure mail revenue is recognised at a point in time when the mail/parcel is delivered to its destination. The time of delivery is based on our mail delivery performance statistics.

Revenue included in Other operating income

Other rental income

Contractual rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

Other recoveries

Other recovery income is recognised in profit or loss when the group becomes entitled to the income or when it is virtually certain that the conditions required to be fulfilled before payment is received, will be fulfilled.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

a) this Act; or
b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
c) the National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

- Irregular expenditure that was incurred and identified during the current financial year, and which was condoned before year end, and/or before finalisation of the financial statements must be updated appropriately in the irregular expenditure register. In such an instance, no further action would be required, with the exception of updating the note in the financial statements.
- Irregular expenditure incurred and identified during the current financial year, awaiting condonement at year end, must be recorded in the irregular expenditure register. No further action is required, except to update the financial statement note.
- Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.
- Irregular expenditure that was incurred and identified during the current financial year, and which was not condoned by the National Treasury, or the relevant authority must be recorded appropriately in the irregular expenditure register. If an individual is proved to be liable for an irregular expenditure, a debt account is created, and such debt is deemed to be legally recoverable from the individual. Immediate steps are taken to recover the amount. If recovery is not possible, the accounting officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is also updated accordingly. Where the irregular expenditure has not been condoned and no person is liable by law, the expenditure related thereto must remain allocated to the relevant programme/expenditure item, to be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Material losses due to criminal conduct

Material losses due to criminal conduct means losses incurred due to crime and incidents relating to general commercial fraud, commercial general account fraud, commercial account fraud relating to SASSA transactions, commercial theft, violent armed robbery, violent business burglary and postal crime.

All expenditure relating to material losses due to criminal conduct is initially recognized as other receivables and then investigated. Once investigations are complete and it is determined that the loss cannot be recovered from any third party it is recognized as an expense.

The threshold for Material Losses due to criminal conduct is set at R30 million for a single incident as per the SAPO Materiality Framework.

1.27 Related parties

The Group operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. All executive managers and individuals in the Board of Directors are regarded as key management.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

1.28 Investment income

The Group's investment income include:

- Interest income;
- Dividend income;

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of investment income and include interest earned on cash and cash equivalents and the Expected Return on Assets of Post-Retirement Benefit Assets.

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

Notes to the Consolidated and Separate Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

The following standards and interpretations have been published and are mandatory for the group's accounting periods from the current financial year

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
Annual Improvements to IFRS Standards 2018-2020 Cycle The key effects of this project entail minor amendments to IFRS 1, IFRS 9 and IAS 41, and to Illustrative Examples accompanying IFRS 16.	01 January 2022	The impact of the standard is not material.
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	01 January 2022	The impact of the standard is not material.
Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	01 January 2022	The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2023 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
Amendments to IAS 1 – Classification of Liabilities as Current or Non- current This amendment (issued in July 2020) clarifies that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period.	01 January 2024	Unlikely there will be a material impact
Definition of Accounting Estimates - Amendments to IAS 8 In February 2021, the IASB issued Definition of Accounting Estimates, which amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.	01 January 2023	Unlikely there will be a material impact

Notes to the Consolidated and Separate Financial Statements

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments provide guidance and to help entities apply materiality judgments to accounting policy disclosures, and distinguish changes in accounting estimates from changes in accounting policies.	01 January 2023	Unlikely there will be a material impact
Amendments to IAS 1 - Non-current Liabilities with Covenants In October 2022 the International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements that clarifies that only those covenants with which an entity must comply on or before the end of the reporting period affect the classification of a liability as current or non-current.	01 January 2024	Unlikely there will be a material impact
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback The amendment, issued by the International Accounting Standards Board in September 2022, specifies requirements relating to measuring the lease liability in a sale and leaseback transaction after the date of the transaction.	01 January 2024	Unlikely there will be a material impact

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12) In May 2021 the International Accounting Standards Board (IASB) issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	01 January 2023	Unlikely there will be a material impact

Notes to the Consolidated and Separate Financial Statements

3. Property, plant and equipment

Group	2023			2022		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	597 794	-	597 794	589 231	-	589 231
Buildings	1 997 150	(373 812)	1 623 338	2 014 366	(303 188)	1 711 178
Machinery and equipment	332 404	(295 906)	36 498	351 501	(311 477)	40 024
Furniture and fittings	52 031	(41 382)	10 649	53 887	(41 432)	12 455
Motor vehicles	28 771	(11 868)	16 903	42 520	(17 037)	25 483
Data processing equipment	395 911	(383 193)	12 718	413 360	(394 749)	18 611
Leasehold improvements	255 008	(250 518)	4 490	266 918	(261 563)	5 355
Assets under construction	-	-	-	2 925	-	2 925
Total	**3 659 069**	**(1 356 679)**	**2 302 390**	**3 734 708**	**(1 329 446)**	**2 405 262**

Company	2023			2022		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	597 794	-	597 794	589 231	-	589 231
Buildings	1 997 150	(373 812)	1 623 338	2 014 366	(303 188)	1 711 178
Machinery and equipment	332 404	(295 906)	36 498	351 501	(311 477)	40 024
Furniture and fittings	51 216	(40 573)	10 643	53 072	(40 626)	12 446
Motor vehicles	28 621	(11 730)	16 891	42 370	(16 899)	25 471
Data processing equipment	393 500	(380 977)	12 523	410 949	(392 629)	18 320
Leasehold improvements	254 429	(249 940)	4 489	266 339	(260 985)	5 354
Assets under construction	-	-	-	2 925	-	2 925
Total	**3 655 114**	**(1 352 938)**	**2 302 176**	**3 730 753**	**(1 325 804)**	**2 404 949**

Notes to the Consolidated and Separate Financial Statements

Reconciliation of property, plant and equipment - Group - 2023

	Opening balance	Additions	Retirements	Classified as held-for-sale	Revaluations	Other movements	Depreciation	Total
Land	589 231	-	-	7 865	698	-	-	597 794
Buildings	1 711 178	1 647	(317)	8 702	(23 527)	2 925	(77 270)	1 623 338
Machinery and equipment	40 024	1 015	(506)	-	-	-	(4 035)	36 498
Furniture and fittings	12 455	-	(109)	-	-	-	(1 697)	10 649
Motor vehicles	25 483	-	(5 992)	-	-	-	(2 588)	16 903
Data processing equipment	18 611	-	(87)	-	-	-	(5 806)	12 718
Leasehold improvements	5 355	67	(209)	-	-	-	(723)	4 490
Assets under construction	2 925	-	-	-	-	(2 925)	-	-
	2 405 262	**2 729**	**(7 220)**	**16 567**	**(22 829)**	**-**	**(92 119)**	**2 302 390**

Reconciliation of property, plant and equipment - Group - 2022

	Opening balance	Additions	Retirements	Classified as held-for-sale	Revaluations	Other movements	Depreciation	Total
Land	612 908	-	-	(24 302)	16 482	(15 857)	-	589 231
Buildings	1 580 212	370	-	(11 410)	209 891	520	(68 405)	1 711 178
Machinery and equipment	43 632	8 774	(2 192)	-	-	(485)	(9 705)	40 024
Furniture and fittings	14 598	52	(201)	-	(8)	-	(1 986)	12 455
Motor vehicles	32 446	872	(4 359)	-	-	-	(3 476)	25 483
Data processing equipment	12 789	441	(757)	-	-	26 064	(19 926)	18 611
Leasehold improvements	8 198	-	(456)	-	-	-	(2 387)	5 355
Assets under construction	2 925	-	-	-	-	-	-	2 925
	2 307 708	**10 509**	**(7 965)**	**(35 712)**	**226 365**	**10 242**	**(105 885)**	**2 405 262**

Notes to the Consolidated and Separate Financial Statements

Reconciliation of property, plant and equipment - Company - 2023

	Opening balance	Additions	Retirements	Classified as held-for-sale	Revaluations	Other movements	Depreciation	Total
Land	589 231	-	-	7 865	698	-	-	597 794
Buildings	1 711 178	1 647	(317)	8 702	(23 527)	2 925	(77 270)	1 623 338
Machinery and equipment	40 024	1 015	(506)	-	-	-	(4 035)	36 498
Furniture and fittings	12 446	-	(109)	-	-	-	(1 694)	10 643
Motor vehicles	25 471	-	(5 992)	-	-	-	(2 588)	16 891
Data processing equipment	18 320	-	(87)	-	-	-	(5 710)	12 523
Leasehold improvements	5 354	67	(209)	-	-	-	(723)	4 489
Assets under construction	2 925	-	-	-	-	(2 925)	-	-
	2 404 949	**2 729**	**(7 220)**	**16 567**	**(22 829)**	**-**	**(92 020)**	**2 302 176**

Reconciliation of property, plant and equipment - Company - 2022

	Opening balance	Additions	Retirements	Classified as held-for-sale	Revaluations	Other movements	Depreciation	Total
Land	612 908	-	-	(24 302)	16 482	(15 857)	-	589 231
Buildings	1 580 212	370	-	(11 410)	209 891	520	(68 405)	1 711 178
Machinery and equipment	43 583	8 774	(2 186)	-	-	(479)	(9 668)	40 024
Furniture and fittings	14 575	52	(201)	-	-	-	(1 980)	12 446
Motor vehicles	30 190	872	(2 117)	-	-	-	(3 474)	25 471
Data processing equipment	12 476	208	(726)	-	-	26 064	(19 702)	18 320
Leasehold improvements	8 197	-	(456)	-	-	-	(2 387)	5 354
Assets under construction	2 925	-	-	-	-	-	-	2 925
	2 305 066	**10 276**	**(5 686)**	**(35 712)**	**226 373**	**10 248**	**(105 616)**	**2 404 949**

Property, plant and equipment encumbered as security

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

Borrowing costs capitalised

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

Revaluation of property, plant and equipment

Valuation

Property plant and equipment (PPE) Land and Buildings were externally valued in 2017. Since 2017, there has been no external valuation, nor internal re-valuation exercise performed.

In 2022 the decision was taken to perform an internal revaluation of PPE land and buildings, utilising the techniques and methodologies applied by the external valuers in 2017.

The external valuations were performed by the following Independent valuers whom are unrelated to the group: Messrs Valuations & Appraisals KZN (Pty) Ltd, Messrs LRM Developer CC, Messrs Pardey and Lutuli International Valuation Services CC, and Messrs Marble Sharp /Equity. These service providers are all members of the South African Institute of Valuers, with the appropriate qualifications and experience to determine the fair value of properties, in their relevant location.

Re-valuation

Internal re-valuations are to be performed in the years in between independent valuations. Here the fair values as determined by independent valuers are re-assessed / valued and adjusted annually by an internal team, to reflect the highest and best use for the properties.

The re-valuation adjustments to the value of properties are based on the following methodology:

1. The income capitalisation approach, being the dominant valuation approach applied in 2017 was utilised to re-value the the PPE properties.
2. PPE properties to which this approach was applied to in 2017 were selected, and internal re-valuations re-performed. Properties were re-valued by applying a cumulative roll-on basis since 2017 to arrive at a revaluation for each of the intervening years.
3. Wherever PPE properties are related, being comprised of both the land and the building thereupon, they are ordinarily re- valued as one single property unit, with any movement in valuation being apportioned to the building, with the land valuation maintained
4. Where the fair value adjustments are based upon the same methodology as the external valuations, being income capitalisation, the fair value is deemed to be a level 2 input.

Valuation inputs

Fair value hierarchy categorises inputs to valuation techniques into three levels. The highest priority is given to Level 1 inputs and the lowest priority to Level 3 inputs, maximising the use of Level 1 inputs and minimising the use of Level 3 inputs.

Fair value hierarchy of property, plant and equipment

Fair value hierarchy categorises inputs to valuation techniques into three levels. The highest priority is given to Level 1 inputs and the lowest priority to Level 3 inputs, maximising the use of Level 1 inputs and minimising the use of Level 3 inputs.

The fair value hierarchy applied by the company is a combination between Level 2 and Level 3 inputs. Where the fair value adjustments are based upon the same methodology as the external valuations, mostly income capitalisation, the fair value is deemed to be a level 2 input. Where fair value adjustments are based upon the comparative sales approach, the inputs are also deemed to be Level 2, since the value of the properties are based on similar, observable market prices. Where neither approach can be applied and the values are maintained between external valuations, these are classified as Level 3 since there are no observable inputs.

The company applies appropriate valuation inputs as follows:

Level 1 Inputs

There was no application for quoted prices in active markets for identical assets, where available.

Level 2 Inputs

The company applies observable inputs for investment properties directly. These include market capitalisation rates, market rental escalations, market operating cost escalations, and accepted maintenance percentages. Other inputs are applied indirectly. These include market corroborated

Notes to the Consolidated and Separate Financial Statements

inputs such as selling prices of similar properties, in similar locations, and comparable prices per square meter.

Level 3 Inputs

The company's fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group has no restrictions on the realisability if its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Level 2 Inputs were applied as follows:

Valuation techniques	Significant unobservable inputs utilised, sourced from market practitioners	Range				
		2023	2022	2021	2020	2019
Income capitalisation	Rental escalation	1,1%	0,2%	4,1%	4,2%	4,2%
	Operational cost escalations per annum	7,2%	7,0%	7,2%	7,7%	7,5%
	Market capitalisation rates	10,2%	9,5%	10,7%	10,8%	10,6%
	Allowances for backlog repairs and maintenance as percentage of estimated rentals	10,0%	10,0%	10,0%	10,0%	10,0%
	Consumer price index - 12 month rolling	7,2%	5,7%	3,1%	4,1%	4,4%

Notes to the Consolidated and Separate Financial Statements

4. Right-of-use assets

		2023			2022	
Group	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings	683 654	(487 070)	196 584	629 845	(403 252)	226 593
Vehicles	284 302	(284 302)	-	284 302	(280 700)	3 602
IT Equipment	598 803	(505 787)	93 016	475 346	(351 454)	123 892
Site restoration	51 107	(45 290)	5 817	150 073	(128 609)	21 464
	1 617 866	**(1 322 449)**	**295 417**	**1 539 566**	**(1 164 015)**	**375 551**

	2023			2022		
Company	**Cost**	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings	674 826	(481 062)	193 764	620 916	(399 026)	221 890
Vehicles	284 302	(284 302)	-	284 302	(280 700)	3 602
IT Equipment	598 803	(505 787)	93 016	475 346	(351 454)	123 892
Site restoration	51 107	(45 290)	5 817	150 073	(128 609)	21 464
	1 609 038	**(1 316 441)**	**292 597**	**1 530 637**	**(1 159 789)**	**370 848**

Notes to the Consolidated and Separate Financial Statements

Group - Reconciliation as at 31 March 2023						
	Opening balance	**Additions**	**Depreciation**	**Remeasurement**	**Terminations**	**Closing balance**
Buildings	226 593	62 210	(83 818)	(101)	(8 300)	196 584
Vehicles	3 602	-	(3 602)	-	-	-
IT equipment	123 892	-	(154 333)	123 457	-	93 016
Site restoration	21 464	-	(838)	(14 809)	-	5 817
	375 551	**62 210**	**(242 591)**	**108 547**	**(8 300)**	**295 417**

Group - Reconciliation as at 31 March 2022						
	Opening balance	**Additions**	**Depreciation**	**Remeasurement**	**Terminations**	**Closing balance**
Buildings	314 188	46 817	(125 677)	-	(8 735)	226 593
Vehicles	49 221	-	(45 619)	-	-	3 602
IT equipment	248 208	40 122	(164 438)	-	-	123 892
Site restoration	120 442	-	(98 274)	(704)	-	21 464
	732 059	**86 939**	**(434 008)**	**(704)**	**(8 735)**	**375 551**

Company - Reconciliation as at 31 March 2023						
	Opening balance	**Additions**	**Depreciation**	**Remeasurement**	**Terminations**	**Closing balance**
Buildings	221 890	62 210	(82 036)	-	(8 300)	(193 764
Vehicles	3 602	-	(3 602)	-	-	-
IT Equipment	123 892	-	(154 333)	123 457	-	93 016
Site restoration	21 464	-	(838)	(14 809)	-	5 817
	370 848	**62 210**	**(240 809)**	**108 648**	**(8 300)**	**292 597**

Company - Reconciliation as at 31 March 2022						
	Opening balance	**Additions**	**Depreciation**	**Remeasurement**	**Terminations**	**Closing balance**
Buildings	311 992	42 390	(123 757)	-	(8 735)	221 890
Vehicles	49 221	-	(45 619)	-	-	3 602
IT Equipment	248 208	40 122	(164 438)	-	-	123 892
Site restoration	120 442	-	(98 274)	(704)	-	21 464
	729 863	**82 512**	**(432 088)**	**(704)**	**(8 735)**	**370 848**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Right of use assets consist of: Buildings: Various buildings in different regions Vehicles: Avis Fleet and Fleet Africa IT Equipment: Telkom hardware (SOW 9, SOW 11 and SOW 14)				
Other disclosures				
Interest expense on lease liabilities	83 832	120 107	83 538	119 774
Gain/(Loss) with remeasurement of leases	(1 214)	1 526	(1 214)	1 526
Short term leases	-	6 212	-	6 212
Lease liabilities				
The maturity analysis of lease liabilities is as follows:				
Within one year	220 340	424 165	217 041	421 911
Two to five years	182 683	215 828	181 012	212 263
More than five years	27 561	18 712	27 561	18 712
	430 584	**658 705**	**425 614**	**652 886**
Less finance charges component	(55 332)	(63 772)	(55 078)	(63 209)
	375 252	**594 933**	**370 536**	**589 677**
Non-current liabilities	180 396	201 651	177 324	198 126
Current liabilities	194 856	393 282	193 212	391 551
	375 252	**594 933**	**370 536**	**589 677**

Buildings: These leases are for Post Office branches and offices, that is leased for a period between 2 - 10 years, at an incremental borrowing rate of 8.6% during the year.

Vehicles: The leases are for the lease of vehicles, varying for a period between 1 - 4 years, at an implicit interest rate of 6%. The interest rate is consistently applied, since the contracts is considered to be materially the same. The Avis Fleet contracts were renewed during 2022 to continue on a month-to-month basis, and was consequently derecognised during the current financial year.

IT Equipment and software: The lease is for a period of 60 months from commission date, but only for 40 months from inception date. This consequently resulted in abortive cost liabilities for 20 month difference in the termination of the contracts. An implicit interest rate of 5.5% is consistently applied for these contracts.

All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Reconciliation of lease liability				
Opening balance	594 754	1 176 184	589 678	1 173 672
Additions	62 210	86 939	62 210	82 512
Terminations	(9 513)	(10 261)	(9 513)	(10 261)
Remeasurement	123 355	-	123 456	-
Repayment	(479 386)	(778 035)	(478 833)	(776 020)
Interest charged	83 832	120 106	83 538	119 774
	375 252	**594 933**	**370 536**	**589 677**

Notes to the Consolidated and Separate Financial Statements

5. Investment property

Group				2023	2022
				Carrying value	Carrying value
Investment property				**241 847**	**252 737**

Company				2023	2022
				Carrying value	Carrying value
Investment property				**168 762**	**179 526**

Reconciliation of investment property - Group - 2023	Opening balance	Retirements	Classified as held-for-sale	Fair value adjustments	Total
Investment property	252 737	(8 718)	5 892	(8 064)	**241 847**

Reconciliation of investment property - Group - 2022		Opening balance	Classified as held-for-sale	Fair value adjustments	Total
Investment property		307 566	(108 655)	53 826	**252 737**

Reconciliation of investment property - Company - 2023	Opening balance	Retirements	Classified as held-for-sale	Fair value adjustments	Total
Investment property	179 526	(8 718)	10 742	(12 788)	**168 762**

Reconciliation of investment property - Company - 2022		Opening balance	Classified as held-for-sale	Fair value adjustments	Total
Investment property		224 897	(91 055)	45 684	**179 526**

Notes to the Consolidated and Separate Financial Statements

Pledged as security

No investment property has been pledged as security.

Fair value of investment property

Valuation

External valuations are performed with sufficient regularity as deemed appropriate by management. The independent property valuers determine the fair values of investment properties.

The most recent external valuations were performed on the 31 March 2017 by the following independent valuers whom are unrelated to the group: Messrs Valuations & Appraisals KZN (Pty) Ltd, Messrs LRM Developer CC, Messrs Pardey and Lutuli International Valuation Services CC, and Messrs Marble Sharp/Equity. These service providers are all members of the South African Institute of Valuers, with the appropriate qualifications to determine the fair value of properties, in the relevant locations.

Re-valuation

Internal re-valuations are performed in the years in between independent valuations. Here the fair values as determined by independent valuers are re-assessed/valued and adjusted annually by an internal team, to reflect the highest and best use for the properties.

As there is no requirement per IFRS to value investment properties every 5 years, once a formal valuation is performed, an entity may apply the valuer's methods internally (re-valuation) and adjust on an ongoing basis. Should material changes arise in the inputs into the re-valuation then independent valuers would be utilised.

The re-valuation adjustments to the value of properties are based on the following methodology:

1. SAPO utilises re-valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
2. For properties where independent valuations were performed, the same methodology and assumptions used by the independent valuer(s) are continually applied. The general approach followed by the independent valuers with regards to their valuations was the Income Capitalisation approach.
3. For properties where no formal valuation report is available for the property, or the Income-Capitalization approach cannot be reliably applied, the Comparative-Sales approach is applied to determine comparable market prices for similar properties currently on sale.
4. For a small number of properties where there are independent valuation reports, but insufficient revenue to apply income capitalisation, as well as insufficient comparative sales information, then the value of these properties are not adjusted between valuations.

Valuation inputs

Fair value hierarchy categorises inputs to valuation techniques into three levels. The highest priority is given to Level 1 inputs and the lowest priority to Level 3 inputs, maximising the use of Level 1 inputs and minimising the use of Level 3 inputs.

Fair value hierarchy of investment property

Fair value hierarchy categorises inputs to valuation techniques into three levels. The highest priority is given to Level 1 inputs and the lowest priority to Level 3 inputs, maximising the use of Level 1 inputs and minimising the use of Level 3 inputs.

The fair value hierarchy applied by the company is a combination between Level 2 and Level 3 inputs. Where the fair value adjustments are based upon the same methodology as the external valuations, mostly income capitalisation, the fair value is deemed to be a level 2 input. Where fair value adjustments are based upon the comparative sales approach, the inputs are also deemed to be Level 2, since the value of the properties are based on similar, observable market prices. Where neither approach can be applied and the values are maintained between external valuations, these are classified as Level 3 since there are no observable inputs.

The company applies appropriate valuation inputs as follows:

Level 1 Inputs

There was no application for quoted prices in active markets for identical assets where available.

Level 2 Inputs

The company applies observable inputs for investment properties directly. These include market capitalisation rates,

Notes to the Consolidated and Separate Financial Statements

market rental escalations, market operating cost escalations, and accepted maintenance percentages. Other inputs are applied indirectly. These include market corroborated inputs such as selling prices of similar properties, in similar locations, and comparable prices per square meter.

Level 3 Inputs

The company's fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group has no restrictions on the realisability if its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Level 2 Inputs were applied as follows:

Valuation techniques	Significant unobservable inputs utilised, sourced from the market practitioners	Range	
		2023	2022
Level 2 Direct inputs		**Percentage**	**Percentage**
Income Capitalisation	Rental escalations per annum	1.10%	0.20%
	Operational cost escalations per annum	7.20%	7.00%
	Capitalisation rates	10.15%	9.50%
	Allowances for backlog repairs and maintenance as percentage of estimated rentals	10.00%	10.00%
Level 2 Indirect input		**R/m2**	**R/m2**
Comparative Market value	Sales prices per square meter for similar locations	R166 - R3 058	R124 - R2 472

Notes to the Consolidated and Separate Financial Statements

Valuation of investment properties

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Level 2				
Direct inputs				
- Buildings	144 145	74 071	110 933	74 071
- Land	74 197	40 703	34 325	40 703
Indirect inputs				
- Buildings	850	25 237	850	-
- Land	12 363	91 011	12 363	40 081
Total level 2	**231 555**	**231 022**	**158 471**	**154 855**
Level 3				
- Buildings	9 021	14 001	9 021	14 001
- Land	1 271	7 714	1 271	10 670
Total level 3	**10 292**	**21 715**	**10 292**	**24 671**
Fair value of investment property	**241 847**	**252 737**	**168 763**	**179 526**

Where SAPO occupies less than that fifty percent of the building/land, it is classified as Investment property. All the investment properties are considered to be used for operations, and therefore none are classified as held-for-sale assets.

Wherever investment properties are related, being comprised of both the land and the building thereupon, they are ordinarily re-valued as one single property unit, with any movement in valuation being apportioned to the building, as the proportional increase/decrease allocation to either is not suitably determinable.

Notes to the Consolidated and Separate Financial Statements

Investment property operating amounts recognised in profit or loss for the year

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Rental income from investment property	12 536	13 107	10 984	10 740
Direct operating expenses from rental generating property	(10 310)	(11 625)	(9 427)	(10 804)
Direct operating expenses from non-rental generating property	(11 954)	(5 891)	(10 299)	(5 891)
Profit (loss) from investment property	**(9 728)**	**(4 409)**	**(8 742)**	**(5 955)**

Investment properties classified as non-current assets held-for-sale

Investment properties classified as held-for-sale during the year, are those for which sales were concluded by year-end, however the consideration for these properties will be received in full once the properties are fully transferred to their purchasers. The company is still liable to pay the rates and taxes for properties classified as held-for-sale, until the properties are occupied, or the transfer is registered, whichever comes first.

The property held in SAPOS Properties (Rossburgh) (Pty) Ltd is related to the discontinuance of its operations, effective 1 March 2022. An offer to purchase was signed and the property was transferred on the 27 January 2023 to the purchaser.

Notes to the Consolidated and Separate Financial Statements

6. Heritage assets

Group	2023			2022		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Work of art	7 697	-	7 697	7 697	-	7 697
Stamps	36 348	-	36 348	36 348	-	36 348
Documents	259	-	259	259	-	259
Philatelic stationery	510	-	510	510	-	510
Other assets	1 433	-	1 433	1 433	-	1 433
Total	**46 247**	**-**	**46 247**	**46 247**	**-**	**46 247**

Company	2023			2022		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Work of art	7 697	-	7 697	7 697	-	7 697
Stamps	36 348	-	36 348	36 348	-	36 348
Documents	259	-	259	259	-	259
Philatelic stationery	510	-	510	510	-	510
Other assets	1 433	-	1 433	1 433	-	1 433
Total	**46 247**	**-**	**46 247**	**46 247**	**-**	**46 247**

Valuations

Fair value determinations are made at intervals such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The last valuation was performed at 31 March 2017. The fair value was performed by independent valuers that are not connected to the Group.

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

Other information

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

7. Intangible assets

Group	2023			2022		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	340 837	(339 388)	1 449	340 858	(337 905)	2 953
Intangible assets under development	54 806	(54 806)	-	54 806	(54 806)	-
Total	**395 643**	**(394 194)**	**1 449**	**395 664**	**(392 711)**	**2 953**

Company	2023			2022		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	337 463	(336 014)	1 449	337 484	(334 531)	2 953
Intangible assets under development	54 806	(54 806)	-	54 806	(54 806)	-
Total	**392 269**	**(390 820)**	**1 449**	**392 290**	**(389 337)**	**2 953**

Reconciliation of intangible assets - Group - 2023

	Opening balance	Amortisation	Total
Computer software	2 953	(1 504)	1 449

Reconciliation of intangible assets - Group - 2022

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software	1 595	246	7 468	(6 356)	2 953

Reconciliation of intangible assets - Company - 2023

	Opening balance	Amortisation	Total
Computer software	2 953	(1 504)	1 449

Reconciliation of intangible assets - Company - 2022

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software	1 595	246	7 468	(6 356)	2 953

Notes to the Consolidated and Separate 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.

Other information

There were no impairments of intangible assets during the year.

8. Interests in subsidiaries including consolidated structured entities

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements.

Company				
Name of company	**% voting power 2023**	**% voting power 2022**	**Carrying amount 2023**	**Carrying amount 2022**
SAPOS Properties (Rossburgh) (Pty) Ltd	100%	100%	8 564	8 564
SAPOS Properties (Cape Town) (Pty) Ltd	100%	100%	5 976	5 976
SAPOS Properties (Bloemfontein) (Pty) Ltd	100%	100%	1 314	1 314
SAPOS Properties (East Rand) (Pty) Ltd	100%	100%	14 358	14 358
SAPOS Properties (Port Elizabeth) (Pty) Ltd	100%	100%	1 885	1 885
The Courier and Freight Group (Pty) Ltd	100%	100%	1 053	1 053
The Document Exchange (Pty) Ltd	100%	100%	-	-
			33 150	**33 150**
Impair of investment in subs			**(1 217)**	**(1 217)**
			31 933	**31 933**

*Truebill (Pty) Ltd remains dormant.

The Company owns 100% of the shares in Postbank SOC Limited, however, control over Postbank and SAPO's interest in Postbank lies with the Minister Communications and Digital Technologies. Consequently, Postbank is neither recognised as an asset by the Company, nor is it consolidated into the financial statements of the Group.

The investments in subsidiary companies listed above are unlisted.

Notes to the Consolidated and Separate Financial Statements

9. Loans to group companies

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
The Courier and Freight Group (Pty) Ltd	-	-	711 496	703 996
Impairment	-	-	(711 496)	(703 996)
	-	**-**	**-**	**-**

The loan to the Courier and Freight Group (Pty) Ltd pertains to support charges, other operational services reclassified from other receivables and other short-term loans.

The loan has been fully impaired.

10. Other financial assets

Debt investments at fair value through profit or loss	1 472	503 476	1 472	503 476
Equity investments at fair value through other comprehensive income	94 333	129 986	94 333	129 986
	95 805	**633 462**	**95 805**	**633 462**
Designated at fair value through profit or loss:				
Investment at fair value: Post-retirement Medical Aid	1 472	503 476	1 472	503 476
Equity investments at fair value through other comprehensive income:	94 333	129 986	94 333	129 986
Unlisted shares: Centriq Insurance Innovation (Pty) Ltd				
Total other financial assets	**95 805**	**633 462**	**95 805**	**633 462**
Split between non-current and current portions				
Non-current assets	94 333	489 688	94 333	489 688
Current assets	1 472	143 774	1 472	143 774
	95 805	**633 462**	**95 805**	**633 462**

Investment at fair value: Post-retirement medical aid (PRMA)

During the current financial year the PRMA investment was drawn to R1,4 million and the funds transferred to a short term investment (cash and cash equivalents) to finance the buyout of the PRMA retirement benefit obligation, and to fund a portion of the company's current obligations.

Unlisted shares: Centriq Insurance Innovation (Pty) Ltd

The unlisted shares held in the cell captive Centriq Insurance Innovation (Pty) Ltd are classified as subsequently measured at fair value through other comprehensive income (FVOCI), which are measured at fair value, with fair value gains and losses recognised directly in other comprehensive income.

Notes to the Consolidated and Separate Financial Statements

The Group designated the investments at FVOCI because these equity securities represent investments that the Group intends to hold long-term for strategic purposes.

Fair value information of debt instruments at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value, which is therefore equal to their carrying amounts.

The following classes of financial assets at fair value through profit and loss are measured through fair value using quoted market prices:

- Local cash
- Local bonds
- Local equity
- Foreign cash
- Foreign bonds

Fair value hierarchy of debt instruments at fair value through profit and loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets in active markets.

Level 2 applies inputs other than quoted prices included in level 1 that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Level 1				
Local bonds	-	140 390	-	184 609
Local equity	-	215 223	-	215 223
Foreign bonds	-	6 099	-	6 099
Total for level 1	**-**	**361 712**	**-**	**405 931**
Level 2				
Local and foreign investment & NOC's	1 427	141 764	-	97 545
Total for level 2	**1 427**	**141 764**	**-**	**97 545**

For the current and previous financial years, there were no transfers between level 1 and 2.

Debt instruments at fair value through profit or loss are denominated in the following currencies:

Equity instruments at fair value through other comprehensive income

Financial assets classified as subsequently measured at fair value through other comprehensive income are recognised at fair value unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets. Management believes that cost approximates fair value.

The carry value (based on the audited annual financial statements of Centriq) is used in the determination of the fair value of unlisted shares for which no reference can be

Notes to the Consolidated and Separate Financial Statements

made to quoted market prices. Management believes that the carrying value approximates the fair value of this investment.

Fair value hierarchy of equity instruments at fair value through other comprehensive income

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets in active markets.

Level 2 applies inputs other than quoted prices included in level 1 that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Management are of the opinion that the carrying value of the unlisted shares are more indicative of fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs) and therefore for more accurate disclosure, the unlisted shares should be included in level 3.

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

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Level 3				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	94 333	129 986	94 333	129 986
Total level 3	**94 333**	**129 986**	**94 333**	**129 986**
Reconciliation of equity instruments at fair value through OCI measured at level 3				
The carrying amount of these financial instruments is as follows:				
2023		**Opening balance**	**Gains or losses in other comprehensive income**	**Closing balance**
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd		**129 986**	**(3 653)**	**94 333**
2022		**Opening balance**	**Gains or losses in other comprehen-sive income**	**Closing balance**
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd		**133 639**	**(3 653)**	**129 986**

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 2023, as well as an

Notes to the Consolidated and Separate Financial Statements

income statement for the period then ended.

The fair value of the preference share is determined with reference to the Adjusted net asset value.

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

11. Operating lease asset (accrual)

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Non-current assets	5 483	1 862	5 465	1 862
Current assets	226	466	206	436
Current liabilities	(361)	(361)	-	-
	5 348	**1 967**	**5 671**	**2 298**
Maturity analysis of lease payments:				
Within one year	246	222	226	222
Two to five years	4 247	1 698	4 590	2 029
More than five years	855	47	855	47
	5 348	**1 967**	**5 671**	**2 298**

The company has entered into operating leases for buildings. It straight-lined its operating leases where it is the lessee over the period of the lease contract.

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12. Retirement benefits

Post-retirement benefits

Group 2023	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Present value of obligation				
Balance at the beginning of the year	1 012 015	545	5 489 961	**6 502 521**
Finance expense	105 375	30	611 734	**717 139**
Service cost	-	-	741	**741**
Benefits paid	(150 253)	-	(728 150)	**(878 403)**
Transfers	-	-	(560)	**(560)**
Actuarial (gains) / losses	(251 417)	(27)	592 194	**340 750**
Present value of obligation at end of the year	**715 720**	**548**	**5 965 920**	**6 682 188**
Present value of assets				
Balance at the beginning of the year	-	47 747	7 748 463	**7 796 210**
Expected return on assets	-	2 604	880 784	**883 388**
Contributions received	-	-	1 744	**1 744**
Transfers	-	-	(560)	**(560)**
Benefits paid	-	-	(728 150)	**(728 150)**
Actuarial (gains) / losses	-	681	259 726	**260 407**
Present value of assets at end of the year	**-**	**51 032**	**8 162 007**	**8 213 039**
Net present value (obligation) / asset				
Present value obligation	(715 720)	(548)	(5 965 920)	**(6 682 188)**
Present value assets	-	51 032	8 162 007	**8 213 039**
(Deficit) / surplus	**(715 720)**	**50 484**	**2 196 087**	**1 530 851**
Asset ceiling	-	-	(2 196 087)	**(2 196 087)**
Net present (obligation) / asset	**(715 720)**	**50 484**	**-**	**(665 236)**
Current assets	-	-	-	**-**
Non-current assets	-	50 484	-	**50 484**
Current liabilities	(95 510)	-	-	**(95 510)**
Non-current liabilities	(620 210)	-	-	**(620 210)**
	(715 720)	**-**	**-**	**(715 720)**

Notes to the Consolidated and Separate Financial Statements

Group 2022	Post-retirement telephone subsidy	Post-retirement medical aid subsidy	Providend fund	Pension fund	Total
Present value of obligation					
Balance at the beginning of the year	758	1 089 199	560	4 913 417	**6 003 934**
Finance expense	-	130 241	26	677 158	**807 425**
Service cost	-	-	-	826	**826**
Benefits paid	-	(128 501)	(19)	(652 604)	**(781 124)**
Transfers	-	-	-	415 426	**415 426**
Actuarial (gains) / losses	-	(78 924)	(22)	135 738	**56 792**
Write back of obligation	(758)	-	-	-	**(758)**
Present value of obligation at end of the year	**-**	**1 012 015**	**545**	**5 489 961**	**6 502 521**
Present value of assets					
Opening balance at the beginning of the year	-	-	45 233	7 052 610	**7 097 843**
Expected return on assets	-	-	2 142	979 074	**981 216**
Contribution received	-	-	-	1 930	**1 930**
Transfers	-	-	-	415 426	**415 426**
Benefits paid	-	-	(19)	(652 604)	**(652 623)**
Actuarial gains / (losses)	-	-	391	(47 972)	**(47 581)**
Present value of asset at end of the year	**-**	**-**	**47 747**	**7 748 464**	**7 796 211**
Net present value (obligation) / asset					
Present value obligation	-	(1 012 015)	(545)	(5 489 961)	**(6 502 521)**
Present value asset	-	-	47 745	7 748 464	**7 796 209**
(Deficit) / surplus	**-**	**(1 012 015)**	**47 200**	**2 258 503**	**1 293 688**
Asset ceiling	-	-	-	(2 258 503)	**(2 258 503)**
Net present (obligation) / asset	**-**	**(1 012 015)**	**47 200**	**-**	**(964 815)**
Current assets		-	-	-	**-**
Non-current assets		**-**	**47 200**	**-**	**47 200**
Current liabilities		(136 124)	-	-	**(136 124)**
Non-current liabilities		(875 891)	-	-	**(875 891)**
		(1 012 015)	**-**	**-**	**(1 012 015)**

Notes to the Consolidated and Separate Financial Statements

Company 2023	Post-retirement medical aid subsidy	Provident Fund	Pension fund	Total
Balance at the beginning of the year				
Balance at the beginning of the year	1 012 015	545	5 489 961	**6 502 521**
Finance expense	105 375	30	611 734	**717 139**
Service cost	-	-	741	**741**
Benefits paid	(150 253)	-	(728 150)	**(878 403)**
Transfers	-	-	(560)	**(560)**
Actuarial (gains) / losses	(251 417)	(27)	592 194	**340 750**
Present value of obligation at end of year	**715 720**	**548**	**5 965 920**	**6 682 188**
Present value of assets				
Opening balance at the beginning of the year	-	47 747	7 748 463	**7 796 210**
Expected return on assets	-	2 604	880 784	**883 388**
Contribution received	-	-	1 744	**1 744**
Transfers	-	-	(560)	**(560)**
Benefits paid	-	-	(728 150)	**(728 150)**
Actuarial gains / (losses)	-	681	259 726	**260 407**
Present value of asset at end of the year	**-**	**51 032**	**8 162 007**	**8 213 039**
Net present value (obligation) / asset				
Present value of obligation	(715 720)	(548)	(5 965 920)	**(6 682 188)**
Present value of asset	-	51 032	8 162 007	**8 213 039**
(Deficit) / surplus	**(715 720)**	**50 484**	**2 196 087**	**1 530 851**
Asset ceiling	-	-	(2 196 087)	**(2 196 087)**
Net present (obligation) / asset	**(715 720)**	**50 484**	**-**	**(665 236)**
Current assets	-	-	-	**-**
Non-current assets	-	50 484	-	**50 484**
Current liabilities	(95 510)	-	-	**(95 510)**
Non-current liabilities	(620 210)	-	-	**(620 210)**
	(715 720)	**-**	**-**	**(715 720)**

Notes to the Consolidated and Separate Financial Statements

Company 2022	Post-retirement telephone subsidy	Post-retirement medical aid subsidy	Providend fund	Pension fund	Total
Present value of obligation					
Balance at the beginning of the year	758	1 089 199	560	4 913 417	**6 003 934**
Finance expense	-	130 241	26	677 158	**807 425**
Service cost	-	-	-	826	**826**
Benefits paid	-	(128 501)	(19)	(652 604)	**(781 124)**
Transfers	-	-	-	415 426	**415 426**
Actuarial (gains) / losses	-	(78 924)	(22)	135 738	**56 792**
Write back of obligation	(758)	-	-	-	**(758)**
Present value of obligation at end of year	**-**	**1 012 015**	**545**	**5 489 961**	**6 502 521**
Present value of assets					
Opening balance at the beginning of the year	-	-	45 233	7 052 610	**7 097 843**
Expected return on assets	-	-	2 142	979 074	**981 216**
Contribution received	-	-	-	1 930	**1 930**
Transfers	-	-	-	415 426	**415 426**
Benefits paid	-	-	(19)	(652 604)	**(652 623)**
Actuarial gains / (losses)	-	-	391	(47 972)	**(47 581)**
Present value of asset at end of the year	**-**	**-**	**47 747**	**7 748 464**	**7 796 211**
Net present value (obligation) / asset					
Present value of obligation	-	(1 012 015)	(546)	(549 961)	**(1 562 522)**
Present value of asset	-	-	47 746	7 748 464	**7 796 210**
(Deficit) / surplus	**-**	**(1 012 015)**	**47 200**	**7 198 503**	**6 233 688**
Asset ceiling	-	-	-	(2 258 503)	**(2 258 503)**
Net present (obligation) / asset	**-**	**(1 012 015)**	**47 200**	**4 940 000**	**3 975 185**
Current assets		-	-	-	**-**
Non-current assets		-	47 200	-	**47 200**
Current liabilities		(136 124)	-	-	**(136 124)**
Non-current liabilities		(875 891)	-	-	**(875 891)**
		(1 012 015)	**-**	**-**	**(1 012 015)**

Notes to the Consolidated and Separate Financial Statements

Post-retirement telephone subsidy

The company undertook to pay the telephone accounts for certain retired employees and their surviving spouses until either the time of their death, or that of their spouse or when they changed their phone numbers or addresses. The company's net obligation in this regard was the amount of future benefits that the employees had earned in return for their service in the prior periods. Any unrecognised actuarial gains or losses and past service costs were recognised immediately. There were no plan assets for this liability and the employer funded this as the need for settlement arose.

The results of the valuation were dependent on the underlying assumptions made. The assumptions represented our best estimate of future experience. The actual cost of the subsidy was, however, dependent on the actual experience.

The Post-Retirement Telephone Subsidy was suspended by way of Board resolution in March 2021.

Post-retirement medical subsidy

During the 2008/2009 financial period, R456,8 million worth of assets were transferred to the South African Post Office (SOC) Limited as a result of the Registrar for Medical Schemes' decision on 12 November 2008.

The Company has negotiated with bargaining unit employees that employees retiring after 30 June 2005 will not receive PRMA benefits. This curtailment of benefits was accounted for during the 2005 period. In addition, spouses and dependents of employees who passed away whilst in the service of the South African Post Office (SOC) Limited after 2005 will also receive medical aid benefits as part of the Defined Benefit Plan.

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
The amounts recognised in profit and loss:				
Interest cost	105 375	130 241	105 375	130 241
Estimated benefit payments	(150 253)	(128 501)	(150 253)	(128 501)
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of post-retirement medical subsidy (actuarial (gains) / losses)				
Change in assumptions	(17 766)	3 606	(17 766)	3 606
Experience adjustment	(233 651)	(82 530)	(233 651)	(82 530)
	(296 295)	**(77 184)**	**(296 295)**	**(77 184)**

Actuarial assumptions: Post-retirement medical aid subsidy

These tables set out the impact on results as a consequence of changes to assumptions on the discount and post-retirement mortality rates.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Discount rate				
1% increase	674 031	950 569	674 031	950 569
Current assumption	715 720	1 012 015	715 720	1 012 015
1% decrease	763 104	1 082 166	763 104	1 082 166
Post-retirement mortality rate				
1% increase	684 209	967 670	684 209	967 670
Current assumption	715 720	1 012 015	715 720	1 012 015
1% decrease	747 560	1 057 725	747 560	1 057 725

The assumptions used are based on statistics and market data as at 31 March 2023.

The previous valuation used the zero-coupon government nominal bond curve to set the discount rate and, the relationship to the nominal real curve, to derived inflation. For the current valuation we have set the discount rate and inflation assumptions with reference to the par/swap bond curves.

The sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption - The discount rate required by IAS 19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the average yields from the Nominal Bond Par Swap curve with a duration of between 10 and 15 years. The recommended discount rate is 10.97%. The source is the Johannesburg Stock Exchange through INET BFA IReSS data service.

Future inflation assumption - The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase. We have estimated the market's pricing of inflation by comparing the yields on the Nominal Bond Par Swap curve with a duration of between 10 and 15 years. The implied inflation assumption is therefore 6.15% per annum for future inflation. We assumed that medical inflation will exceed general inflation by 1.5% per annum. The implied medical inflation assumption is therefore 7.65% per annum.

Net discount rate - Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the gap between the two assumptions is more important. This gap is referred to as the net discount rate. The net discount rate is assumed to be 3.08% per annum (derived from a discount rate of 10.97% and the expected medical inflation rate of 7.65%). The net discount rate was 2.72% per annum at the previous valuation.

Post-retirement mortality - The PA(90) mortality table was used. This assumption is consistent with the assumption used for the previous valuation report.

Age of spouse - The actual age of the spouse was used in the valuation. This assumption is consistent with the assumption used for the previous valuation report.

Developments since the previous valuation - There were no changes to the rules governing payment and eligibility for the post- retirement medical aid benefits since the previous valuation. As far as assumptions are concerned only the discount rate and inflation rate which are dependent on the market at the time of the valuation differed from the previous valuation

Within the valuation period there was a Buy-Out option given to members. All members who accepted the Buy-Out option and received payment within the valuation period are excluded. All other assumptions are broadly consistent with that used at the previous valuation unless otherwise stated.

As the liability only relates to pensioners the liability is fully accrued and there is no service cost. Allowance has been made in these calculations for the liabilities of South African Post Office to increase in line with medical inflation. Should any increases in the fixed subsidy be implemented in future, this liability will increase

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Other assumptions				
Discount rate	10,97 %	11,22 %	10,97 %	11,22 %
Medical inflation increase rate	7,65 %	8,28 %	7,65 %	8,28 %
Long-term price inflation	6,15 %	6,78 %	6,15 %	6,78 %

Provident fund

The South African Post Office (SOC) Limited provident fund (the fund) was established on 1 August 1993 to hedge the leave liability beyond a specific threshold. The fund became dormant on 1 April 2004 when all leave entitlement and salaries were capped.

In terms of a surplus apportionment scheme conducted by the fund some years ago, an Employer Surplus Reserve was created within the ambit of the fund and in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956, as amended) for the benefit of the South African Post Office (SOC) Limited.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable. The assets held by the fund are registered in the name of the fund.

As per the rules of the fund, the South African Post Office (SOC) Limited is required to meet the balance of cost of financing the benefits provided by the fund, which would include the any fund deficit. At year end, the South African Post Office (SOC) Limited met the balance of cost of financing the benefits provided by the fund. The Employer Surplus Reserve is available to fund future deficits should they arise.

The amounts recognised in profit and loss:				
Net interest (income) / cost	(2 576)	(2 116)	(2 576)	(2 116)
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of provident fund (actuarial (gains) / losses)				
Change in assumptions	(2)	1	(2)	1
Experience adjustment	(25)	21	(25)	21
Remeasurement of asset				
(Gains) / losses on plan asset	(681)	(391)	(681)	(391)
	(3 284)	**(2 485)**	**(3 284)**	**(2 485)**

Actuarial assumptions: Provident fund

These tables set out the impact on results as a consequence of changes to assumptions on the discount rate and the retirement mortality rates.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Discount rate				
1% increase	547	543	547	543
Current Assumption	548	545	548	545
1% decrease	549	547	549	547

The assumptions used are based on statistics and market data as at 31 March 2023. Financial markets are currently experiencing increased volatility.

The previous valuation used the zero-coupon government nominal bond curve to set the discount rate and, the relationship to the nominal real curve, to derived inflation. For the current valuation we have set the discount rate and inflation assumptions with reference to the par/swap bond curves.

The Sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the best fit discount rate at 31 March 2023 based on the yields from the Nominal Bond Par Swap curve with a duration of between 0 and 1 year. The recommended discount rate is 7.93%. The source is the Johannesburg Stock Exchange through INET BFA IReSS data service. The discount rate for the previous valuation was 5.46%.

Future inflation assumption - The benefit does not increase in future as such the general inflation assumption is not required.

Net discount rate - The net discount rate is 7.93% per annum as the benefits do not increase in future.

Assets - We have been advised by the actuary to the Provident Fund that the Employer Surplus Account has an estimated balance of R 51,034 million at 31 March 2023. For purposes of the valuation we have taken the asset value to be R 51,034 million.

Pre-retirement mortality - We have assumed that the pre-retirement mortality will be in line with SA585-90 (Light) table, rated down by three years for both male and female employees. This assumption is consistent with the assumption used for the previous valuation report.

Assumed retirement age - The normal retirement age of the group is 65 years. We have been advised that the average age for retiring members is 59 years of age. A retirement age of 59 years is assumed. For employees currently over age 59 we have provided for the immediate value of the benefit. This assumption is consistent with the assumption used for the previous valuation report.

Developments since the previous valuation - There were no changes to the rules governing payment and eligibility for the Provident Fund leave benefits since the previous valuation. As far as assumptions are concerned only the discount rate which are dependent on the market at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with that used at the previous valuation unless otherwise stated.

The accounting standard requires that the liabilities are valued using the Projected Unit Credit Method. This method was therefore used to value the liabilities. The service in respect of the leave days was fully accrued for.

Other assumptions				
Discount rate	7,93 %	5,46 %	7,93 %	5,46 %
Expected return on plan assets	7,93 %	5,46 %	7,93 %	5,46 %
Long-term price inflation	4,44 %	4,13 %	4,44 %	4,13 %

Notes to the Consolidated and Separate Financial Statements

Pension fund

The South African Post Office (SOC) Limited retirement fund (the fund) previously known as the Post Office Pension Fund, was established on 1 October 1991 in terms of section 9(1) of the Post Office Act, 1958 (Act No.44 of 1958, as amended). The fund only allowed for defined benefit members until 30 November 2005 when it was converted into primarily a defined contribution scheme. It then became known as the South African Post Office (SOC) Limited retirement fund.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable.

The assets held by the fund are registered in the name of the fund which has as its objective the provision of retirement and ancillary benefits to all its beneficiaries, being pensioners and active members.

In terms of section 10A of the South African Post Office Act (Act No 44 of 1958, as amended), the financial obligations of the South African Post Office (SOC) Limited retirement fund in respect of its defined benefit members and pensioners are guaranteed by the South African Post Office (SOC) Limited whilst the Government of the Republic of South Africa in turn guarantees the obligations of the South African Post Office (SOC) Limited in this regard.

In terms of a recent actuarial capital adequacy analysis, the fund was fully funded and the actuary concluded that it was in a sound financial position.

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
The amounts recognised in profit and loss:				
Service cost	(741)	(826)	(741)	(826)
Estimated contributions	1 744	1 929	1 744	1 929
Net interest income	269 050	301 916	269 050	301 916
Remeasurements of post-retirement fund (actuarial (gains) / losses)				
Changes in assumptions	82 055	(258 202)	82 055	(258 202)
Experience adjustment	(674 250)	122 465	(674 250)	122 465
Actuarial (Gains) / losses on plan asset	259 726	(47 972)	259 726	(47 972)
Changes in the effect of the asset ceiling	62 416	(119 310)	62 416	(119 310)
	-	-	-	-

Actuarial assumptions: Pension fund

These tables set out the impact on results as a consequence of changes to assumptions on the discount rate and the post-retirement age rating assumptions.

Discount rate				
1% increase	5 580 605	5 133 900	5 580 605	5 133 900
Current assumption	5 965 920	5 489 960	5 965 920	5 489 960
1% decrease	6 405 623	5 892 586	6 405 623	5 892 586

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Post-retirement age rating				
PA(90) +1	5 804 004	5 338 831	5 804 004	5 338 831
Current Assumption	5 965 920	5 489 960	5 965 920	5 489 960
PA(90) -1	6 126 675	5 640 107	6 126 675	5 640 107

The assumptions used are based on statistics and market data as at 31 March 2023. The assumptions are unbiased and mutually compatible.

The previous valuation used the zero-coupon government nominal bond curve to set the discount rate and, the relationship to the nominal real curve, to derived inflation. For the current valuation we have set the discount rate and inflation assumptions with reference to the par/swap bond curves.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have used the average Nominal Bond Par Swap curve with duration of between 15 and 20 years as at 31 March 2023. The recommended discount rate is 11.44%. The source of the yield curve is the Johannesburg Stock Exchange through IRESS data service. The discount rate assumption used for the previous valuation was 11.91%

Future inflation assumption - The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. We have used the difference between the Nominal Bond Par Swap curve and the real Bond Par Swap curve with duration of between 15 and 20 years. The implied inflation assumption is therefore 6.53% per annum for future inflation. The source of the yield curves is the Johannesburg Stock Exchange through IRESS data service. The inflation assumption used for the previous valuation was 7.38%

Future salary inflation assumption - It was assumed that the subsidies will increase in line with 1.00% in excess of general inflation, therefore 7.53% per annum. This is consistent with the assumptions of the previous valuation. The inflation assumption used for the previous valuation was 8.38%.

Net discount rate - Even though the actual values used for the discount rate and the expected increase in medical inflation are important, the gap between the two assumptions is more important. This gap is referred to as the net discount rate. The net discount rate for subsidy inflation is assumed to be 3.63% per annum (derived from a discount rate of 11.44% and the expected salary inflation rate of 7.53%). The net discount rate was 3.26% per annum at the previous valuation.

Pre-retirement mortality - We have assumed that the pre-retirement mortality will be in line with SA85-90 (light) table, rated down by 3 years for female employees. We have not allowed for death as a result of an injury arising in the course of employment with the Entity. This is consistent with the assumptions of the previous valuation.

Post-retirement mortality - The post-retirement mortality assumptions were based on the PA(90) mortality tables. This is consistent with the assumptions of the previous valuation.

Withdrawals - Given the small number of active DB members and their age profile, no specific allowance for withdrawals was made. This implies that the actuarial reserve value is available to provide benefits on voluntary exit and retrenchment. This is consistent with the assumptions of the previous valuation.

Assumed retirement age - The normal retirement age of the remaining active defined benefit members is 65 years. We have assumed, on average, that active members will retire early at age 59. This is the same assumption used at the previous valuation date. This is consistent with the assumptions of the previous valuation.

Marital status - An assumption has been made that 90% of members will be married at retirement with the male spouse being 3 years older than the female spouse. For retired members who are married, we have used the actual date of birth for the spouse where available. Where the spouses date of birth was not available we have assumed that the male spouse is 3 years older than the female spouse. This is consistent with the assumptions of the previous valuation.

Notes to the Consolidated and Separate Financial Statements

Commutation - We have assumed that on retirement all DC pensioners would have commuted a third of their pension on retirement. We have further assumed that all DB–A members and DB–C members would have commuted at third of their pension on retirement. This is consistent with the assumptions of the previous valuation.

The accounting standard requires that the liabilities are valued using the Projected Unit Credit Method, and this method was therefore applied.

The Fund provides benefits of both Defined Benefit and Defined Contribution nature. The liability in respect of active defined benefit members was based on the actual past service of Members in the active service of the Company. The liability in respect of current pensioners is fully accounted for.

The liabilities, assets and reserve accounts relating to the Defined Contribution section of the fund were excluded from the valuation. In aggregate, these liabilities (and assets) amount to approximately R8 billion.

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Other assumptions				
Discount rate	11,44 %	11,91 %	11,44 %	11,91 %
Expected return on plan assets	11,44 %	11,91 %	11,44 %	11,91 %
Long-term plan inflation	6,53 %	7,38 %	6,53 %	7,38 %

Expected contributions and maturity profile		
Expected contributions to the defined benefit plan in future years	**2023**	**2022**
Within the next 12 months (next annual reporting period)	1 744	1 929
Between 2 and 5 years	7 117	8 102
Between 5 and 10 years	5 743	7 666
Beyond 10 years	4 105	6 067
	18 709	**23 764**

Maturity profile

The average term to retirement for actives is 7 years for 2023. The average duration for the pensioners is 17 years. For 2022 the average term to retirement is 7 years. The average duration for pensioners is 19 years.

The average duration retirement age for current employees (pensioners) is 12.43 (male) and 15.96 (female)

Notes to the Consolidated and Separate Financial Statements

13. Inventories

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Merchandise	31 547	28 630	31 547	28 630
Consumables	18 295	20 326	17 911	19 931
	49 842	**48 956**	**49 458**	**48 561**
Inventories (write-downs)	(1 714)	(1 714)	(1 714)	(1 714)
Total inventories net of write-downs	**48 128**	**47 242**	**47 744**	**46 847**

Inventory pledged as security

No inventory has been pledged as security for liabilities.

14. Trade and other receivables

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Financial instruments:				
Trade receivables	146 294	221 546	138 161	212 851
Loss allowance	(35 518)	(34 081)	(32 252)	(30 704)
Trade receivables at amortised cost	**110 776**	**187 465**	**105 909**	**182 147**
Deposits	783	783	-	-
Amounts due from subsidiaries	-	-	7 164	5 526
Deferred loss on hedges	559	559	-	-
Money and postal orders	20 988	18 487	15 960	13 944
International debtors	140 710	144 101	140 710	144 101
Non-financial instruments:				
VAT	2 560	2 237	-	-
Employee costs in advance	65 589	2 801	65 589	2 801
Uncleared control accounts & other receivables (Gross)	740 761	1 668 350	740 549	1 668 130
Uncleared control accounts & other receivables (Impairment)	(398 536)	(190 194)	(398 536)	(190 194)
Total trade and other receivables	**684 190**	**1 834 589**	**677 345**	**1 826 455**

Notes to the Consolidated and Separate Financial Statements

Exposure to credit risk

The following table provides information about the exposure to credit risk and ECL's for trade receivable from individual customers as at 31 March 2023:

	Group			
31 March 2023 (R'000)	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
0 - 30 days	3,95 %	81 352	722	No
31 - 60 days	6,94 %	8 671	1 269	No
61 - 90 days	26,03 %	3 013	4 757	No
91 - 120 days	60,39 %	1 589	11 039	No
More than 120 days past due	97,00 %	26 607	17 731	Yes
		121 232	**35 518**	

	Company			
31 March 2023 (R'000)	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
0 - 30 days	3,88 %	73 219	628	No
31 - 60 days	6,35 %	8 671	1 029	No
61 - 90 days	26,68 %	3 013	4 320	No
91 - 120 days	62,26 %	1 589	10 082	No
More than 120 days past due	100,00 %	26 607	16 193	Yes
		113 099	**32 252**	

Notes to the Consolidated and Separate Financial Statements

	Group			
31 March 2022 (R'000)	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
0 - 30 days	5,04 %	171 652	8 612	No
31 - 60 days	6,44 %	5 807	374	No
61 - 90 days	12,42 %	2 977	370	No
91 - 120 days	62,90 %	124	78	No
More than 120 days past due	99,68 %	24 725	24 647	Yes
		205 285	**34 081**	

	Company			
31 March 2022 (R'000)	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit impaired**
0 - 30 days	4,97 %	166 015	8 248	No
31 - 60 days	6,44 %	5 807	374	No
61 - 90 days	12,42 %	2 977	370	No
91 - 120 days	62,97 %	124	78	No
More than 120 days past due	99,15 %	21 819	21 634	Yes
		196 742	**30 704**	

Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Trade receivables impaired

As of 31 March 2023, trade and other receivables of Group R35,518 million (2022: R34,081 million) and Company R32,252 million (2022: R30,704 million) were impaired and provided for.

Management believes that all amounts that are past due by more than 120 days are not collectible, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customer's credit ratings if they are available. There is no enforcement activity with regards to impaired trade receivables.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

Notes to the Consolidated and Separate Financial Statements

		2023 Impairment	2022 Impairment	2023 Impairment	2022 Impairment
Balance as at 1 April		34 081	73 130	30 704	69 922
Amounts written off		-	-	-	-
Net remeasurements of loss allowance		1 437	(39 049)	1 548	(39 218)
Balance as at 31 March		**35 518**	**34 081**	**32 252**	**30 704**

IFRS 9 allows an entity to use a simplified provision matrix for calculating expected losses as a practical expedient (e.g., for trade receivables), if consistent with the general principles for measuring expected losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

The provision matrix and default rates applied (unadjusted) is set out as:

2023	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 120 days	Greater than 120 days
Group	5,04 %	6,44 %	12,42 %	62,90 %	99,68 %
Company	4,97 %	6,44 %	12,42 %	62,97 %	99,15 %
2022	**From 1 to 30 days**	**From 31 to 60 days**	**From 61 to 90 days**	**From 91 to 120 days**	**Greater than 120 days**
Group	5,04 %	6,44 %	12,42 %	62,90 %	99,68 %
Company	4,97 %	6,44 %	12,42 %	62,97 %	99,15 %

The company define a default on trade receivables as a non-payment of the trade receivable within 120 days after the issue of the invoice.

The company has applied the practical expedient of IFRS 15.63, which permits the company not to adjust the transaction price for the effects of a significant financing component if, at contract inception, it expects the period between the customer payment and the transfer of services to be less than or equal to one year.

For trade receivables, repayment is due at the end of the month following the invoice date (which is on average between 30 and 60 days). The company applies a historic loss rate, adjusted to reflect economic conditions and macro-economic factors. The company determined that the unemployment rate was the most appropriate macro-economic factor that can affect the credit losses of the company.

The unemployment rate that is applied to adjust the historic default rate is 7.98% (2022: 8.62%) and will cater for the downturn in the economic environment due to the impact of COVID-19.

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 60 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional and does not contain a significant financing component. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost.

Notes to the Consolidated and Separate Financial Statements

15. Prepayments

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Subscriptions and IT solutions paid in advance				
Services receivable within a year	899	2 418	899	2 418

Prepaid expenses are payments made in advance of the future performance of services. These amounts are recorded as assets in the financial statements until the related expenses have been incurred.

16. Cash and cash equivalents

Cash and cash equivalents include cash on hand and actual bank balances and investments in money market instruments.

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Cash on hand	40 997	69 065	40 975	69 043
Bank balances	445 791	360 692	445 408	360 071
Short-term deposits	22 624	24 825	-	-
Other cash and cash equivalents	30 081	151 060	30 081	151 060
	539 493	**605 642**	**516 464**	**580 174**

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Notes to the Consolidated and Separate Financial Statements

17. Non-current assets held-for-sale

Management has committed to a plan to sell certain investment properties. Accordingly, this is presented as a disposal group. Efforts to sell the properties concerned have started and sales are expected to be concluded the following financial year by way of auction

The decision was made by the directors to dispose these properties due their being surplus to the Group's operating needs, the lack of return on investment, and to raise funds to fund the Group's strategic priorities.

Assets held-for-sale are stated at fair value and comprised of the following assets:

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Assets and liabilities				
Non-current assets held-for-sale				
Property, plant and equipment	19 146	35 712	19 146	35 712
Investment property	85 163	91 055	80 313	91 055
	104 309	126 767	99 459	126 767
Assets of disposal groups				
Property, plant and equipment	-	17 600	-	-
	104 309	**144 367**	**99 459**	**126 767**

Fair value hierarchy

The non-recurring fair value measurement have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

Recognition

The group has elected to disclose major classes of assets and liabilities classified as held-for-sale in the notes.

Non-current assets, comprising assets, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Notes to the Consolidated and Separate Financial Statements

18. Share capital

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Authorised				
1 000 000 000 Ordinary shares of R1 each	1 000 000	1 000 000	1 000 000	1 000 000
Reconciliation of number of shares issued:				
Reported as at 01 April	8 164 116	8 164 116	8 164 116	8 164 116
Issue of shares – ordinary shares	-	-	-	-
	8 164 116	**8 164 116**	**8 164 116**	**8 164 116**
Issued				
Ordinary shares of R1 each	**8 164 116**	**8 164 116**	**8 164 116**	**8 164 116**

At yearend, there are 306 884 118 unissued ordinary shares. This authority remains in force until the next annual general meeting.

19. Mark-to-market reserve

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

Financial assets classified as subsequently measured at fair value through other comprehensive income, with fair value gains and losses recognised directly in other comprehensive income as the reserve for valuation of investments (mark-to-market reserve). The market approach is used under IFRS 13 in the determination of the fair value of unlisted shares for which no reference can be made to quote market prices. Refer to note 10.

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Investments at fair value through other comprehensive income	**(35 653)**	**(3 653)**	**(35 653)**	**(3 653)**

Notes to the Consolidated and Separate Financial Statements

20. Borrowings

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Held at amortised cost				
Postbank SOC Ltd	**215 869**	**207 897**	**215 869**	**207 897**

The loan is unsecured and carries interest at the publicly quoted interest rate, compounded monthly in arrears.

The loan represents an internal, inter-divisional, balance that was converted to a company-level liability as a consequence of the separation of Postbank from SAPO. The loan has no fixed terms of repayment. It is classified as current on the basis that SAPO has no contractual right to unilaterally defer settlement of the liability for at least twelve months after the reporting period.

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Split between non-current and current portions				
Current liabilities	**215 869**	**207 897**	**215 869**	**207 897**

Notes to the Consolidated and Separate Financial Statements

21. Deferred tax

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Deferred tax liability				
Property plant and equipment	(17 548)	(19 333)	-	-
Reversing temporary difference on fixed assets	(682)	(1 245)	-	-
Impairment of bad debts	10	10	-	-
Deferred Lease	552	554	-	-
Total deferred tax liability	**(17 668)**	**(20 014)**	**-**	**-**
Deferred tax asset				
Provisions	1 083	1 076	-	-
Deferred lease	2 034	1 982	-	-
Income received in advance	1 426	1 462	-	-
Deferred tax balance from temporary differences other than unused tax losses	**4 543**	**4 520**	**-**	**-**
Tax losses avail for set off against future tax in	2 153	1 706	-	-
	6 696	**6 226**	**-**	**-**
Total deferred tax asset	**6 696**	**6 226**	**-**	**-**
Deferred tax liability	(17 668)	(20 014)	-	-
Deferred tax asset	6 696	6 226	-	-
Total net deferred tax liability	**(10 972)**	**(13 788)**	**-**	**-**
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(13 788)	(12 773)	-	-
Investment property	756	(1 787)	-	-
Provisions	30	(735)	-	-
Deferred lease	(2)	31	-	-
Employee benefit	118	(148)	-	-
Income received in advance	(124)	(134)	-	-
Taxable / (deductible) temporary difference movement on tangible fixed assets	(712)	2 837	-	-
Change due to change in tax rate	-	(1)	-	-
Increase (decrease) in tax loss available to set off against future taxable income	2 750	(1 078)	-	-
	(10 972)	**(13 788)**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

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.

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Unrecognised deferred tax asset				
Available for sale financial assets adjustments	(9 599)	(10 221)	(9 599)	(10 221)
Tax loss	4 353 884	3 946 363	4 353 884	3 772 731
Government Subsidy	-	15 647	-	15 647
Deferred revenue	14 190	20 810	14 190	20 810
Provisions	532 953	511 926	532 447	511 420
Fixed assets	(421 760)	(408 143)	(421 760)	(408 738)
Financial instruments	(56)	(118)	(56)	(118)
	4 469 612	**4 076 264**	**4 469 106**	**3 901 531**

Unrecognised deferred tax asset for components of other comprehensive income

Tax effect of items recognised in other comprehensive income for which no deferred tax asset has been recognised:

Remeasurements on net defined benefit liability/asset	-	(60 707)	-	(62 930)
Gain on other financial assets adjustments	-	(986)	-	(1 023)
Gains on property revaluation	-	59 758	-	63 384
	-	**(1 935)**	**-**	**(569)**

Notes to the Consolidated and Separate Financial Statements

22. Provisions

Reconciliation of provisions - Group - 2023							
			Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Site restoration			156 781	3 887	-	(34 670)	**125 998**
General provision			39	-	-	-	**39**
Leave pay			178 946	149 420	(183 296)	-	**145 070**
Contractual 13th cheque			150	-	(7)	-	**143**
Long service cash awards			28 389	5 989	(7 177)	(3 065)	**24 136**
Long service leave awards			17 556	3 342	(1 326)	(7 064)	**12 508**
			381 861	**162 638**	**(191 806)**	**(44 799)**	**307 894**

Reconciliation of provisions - Group - 2022							
	Opening balance	Additions	Utilised during the year	Reversed during the year	Unwinding of provision	Change in discount factor	Total
Site restoration	150 777	-	-	-	6 706	(702)	**156 781**
General provision	39	-	-	-	-	-	**39**
Leave pay	185 090	178 946	(185 090)	-	-	-	**178 946**
Contractual 13th cheque	-	150	-	-	-	-	**150**
Long service cash awards	42 436	5 108	(19 155)	-	-	-	**28 389**
Long service leave awards	17 642	3 070	(5 156)	2 000	-	-	**17 556**
	395 984	**187 274**	**(209 401)**	**2 000**	**6 706**	**(702)**	**381 861**

Notes to the Consolidated and Separate Financial Statements

Reconciliation of provisions - Company - 2023

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Site restoration	156 781	3 887	-	(34 670)	**125 998**
General provision	39	-	-	-	**39**
Leave pay	178 946	149 420	(183 296)	-	**145 070**
Long service cash awards	26 712	5 687	(6 649)	(3 483)	**22 267**
Long service leave awards	17 556	3 359	(1 326)	(7 081)	**12 508**
	380 034	**162 353**	**(191 271)**	**(45 234)**	**305 882**

Reconciliation of provisions - Company - 2022

	Opening balance	Additions	Utilised during the year	Unwinding of provision	Change in discount factor	Total
Site restoration	150 777	-	-	6 706	(702)	**156 781**
General provision	39	-	-	-	-	**39**
Leave pay	185 090	178 946	(185 090)	-	-	**178 946**
Long service cash awards	40 473	4 832	(18 593)	-	-	**26 712**
Long service leave awards	17 642	3 070	(3 156)	-	-	**17 556**
	394 021	**186 848**	**(206 839)**	**6 706**	**(702)**	**380 034**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Non-current liabilities				
Site restoration	34 486	30 036	34 486	30 036
Leave pay	1 251	1 882	1 251	1 882
Long service cash awards	21 474	26 748	20 926	26 200
Long service leave awards	12 058	10 671	12 058	10 671
	69 269	**69 337**	**68 721**	**68 789**
Current liabilities				
Site restoration	91 512	126 745	91 512	126 745
General provision	39	39	39	39
Leave pay	143 819	177 064	143 819	177 064
Contractual 13th cheque	143	150	-	-
Long service cash awards	2 662	1 641	1 341	512
Long service leave awards	450	6 885	450	6 885
	238 625	**312 524**	**237 161**	**311 245**
	307 894	**381 861**	**305 882**	**380 034**

Site restoration

The provision relates to decommissioning costs that are expected to be incurred upon termination or conclusion of property rental lease agreements where the company is currently or has previously been the lessee. It is uncertain whether these leases will be extended or terminated earlier, which creates uncertainties regarding the amount and timing of the cash flows.

The Universal Service Obligations (USO) obliges the South African Post Office (SOC) Limited to maintain its presence in South Africa (SA), especially in rural SA. Therefore, the South African Post Office (SOC) Limited might not reduce the number of leasehold premises but continue to establish its presence in strategic buildings.

Assumptions and methodologies used in the calculation of this provision:

Site restoration is determined where there is a possibility of a restoration obligation arising. Site restoration is provided for active rental contacts, as well as for arrears contacts where the company is still in occupation.

The company has maintained records of actual site restorations performed. Prior restoration costs are inflation-adjusted to determine average restoration costs per square meter for rental properties each year. Average costs per square meter are applied to individual rentals to arrive at current restoration estimates. There are select landlords who do accept three months rental or more, instead of a site restoration being performed, and therefore monthly rental amounts are also considered in arriving at restoration estimates. Evidence suggests that around six months of rental payments approaches the estimates arrived at based upon square meterage. For each property which may require site restoration, the company applies the highest of the two estimates to ensure that liabilities for restoration might not easily be underestimated.

Notes to the Consolidated and Separate Financial Statements

The initial present value estimate of site restoration costs is capitalised in terms of the relevant lease agreements, and a corresponding provision (liability) recognised. Depreciation is straight-lined over the remaining lease period. Where there is no more rental contract (non- renewed) the site restoration liability is not written off but maintained until site restoration in performed. The current liability portion of site restoration is determined based upon rental contracts that will expire within the next 12 months. The current liability includes expired rentals from previous years.

The future value of each rental is calculated to the end of its remaining lease term, using the present value, being the current estimated cost of site restoration, and applying the SA prime rate as the interest rate. Interest arrived at for each of the remaining rental years is expensed each year. Where there is no more rental contract, no more interest is expensed as there is no more lease term.

General provision

Employees can elect to join a Bargaining Unit for 13th cheque payments or employees appointed on a TCTC basis may elect to structure their package for a 13th cheque payment. 13th cheque payments for Bargaining Unit's members are paid in the employees bonus date and TCTC 13th cheque payments are made in December.

Leave obligation

Employees are entitled to 22 days leave per annum. As at 31 March the remaining annual leave may be carried forward for a period of six (6) months after year end, thereafter the leave will be forfeited.

Any leave balance remaining when an employee leaves the service of the South African Post Office (SOC) Limited for whatever reason (e.g. resignation, death, retirement) is encashed at that time.

Capped leave

In addition to their "normal" current accrued leave some staff members also have an amount of "capped" leave. During 2001 and 2002 the South African Post Office (SOC) Limited negotiated with staff in different categories that leave accrued up till that date would in future only be encashed at the salary as at that time. This leave can be taken as leave or encashed, but only after all other accrued leave has been taken. Any remaining balance will be paid out as cash when the employee leaves the service of the South African Post Office (SOC) Limited.

Given these rules, the South African Post Office (SOC) Limited recognises that the balances in both the "capped" leave and "normal" accrued leave will not be settled in the 12 months following the date of calculation, and therefore some form of calculation is required. In performing these calculations, an assumption has been applied that 50% of the balance standing in the "normal" accrued leave will be taken as leave in the next 12 months. The remainder of the "normal" and the balance in the "capped" leave will be paid out in cash when the employee leaves the service of the South African Post Office (SOC) Limited by death, resignation or retirement. In the case of the "accrued" leave, this will be based on the salary applicable at that date, and in the case of the "capped" leave, based on the current fixed rate.

A restricted number of employees are members of the leave provident fund. This provident fund provides for leave in excess of 60 days at a specific point in time. No additional employees may become members of this fund. Leave in this fund can only be encashed when the employee retires or resigns and cannot be utilised as leave. As provident fund assets are sufficient this leave is not accrued by the Company.

Contractual 13th cheque

The contractual 13th cheque relates to The Document Exchange (Pty) Ltd:

An obligation arises based on a percentage of an employee total cost to company deducted monthly to be paid out in the month of December every year. The amount is certain and the likelihood of cash flow is very high.

Long service cash awards

The Group has a once off cash award policy in respect of long service. The Group has valued this benefit in the current period, and shall be valuing the benefit annually.

Long service leave awards

The Group has a policy of increasing leave days when employees reach ten years of service and for every ten years thereafter within the South African Post Office (SOC) Limited's employment. The increase in leave days is from 22 to 24 days in the employee's tenth period only.

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Actuarial assumptions and sensitivity analysis

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Long service cash awards				
Discount rate				
1% increase	22 835	26 986	22 835	26 964
Current assumption	24 135	28 388	24 135	28 388
1% decrease	25 555	29 989	25 555	29 959
Retirement age				
2-year increase	28 238	33 618	28 238	33 618
Current assumption	24 135	28 388	24 135	28 388
2-year decrease	19 958	22 969	19 958	22 969
Leave days				
Discount rate				
1% increase	11 890	18 349	11 890	18 349
Current assumption	12 508	17 556	12 508	17 556
1% decrease	13 182	16 228	13 182	16 228
Retirement age				
2-year increase	14 089	19 845	14 089	19 845
Current assumption	12 508	17 538	12 508	17 538
2-year decrease	10 630	15 182	10 630	15 182

Actuarial assumptions

The assumptions used are based on statistics and market data as at 31 March 2023.

The previous valuation used the zero-coupon government nominal bond curve to set the discount rate and, the relationship to the nominal real curve, to derived inflation. For the current valuation we have set the discount rate and inflation assumptions with reference to the par/swap bond curves.

Discount rate assumption

The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the best fit discount rate at 31 March 2023 based on the yields from the Nominal Bond Par Swap curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is approximately 8 years. The recommended discount rate is 10,13%.

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

We have estimated the market's pricing of inflation by comparing the yields on the Nominal Bond Par Swap curve

Notes to the Consolidated and Separate Financial Statements

and the real bond Par Swap curve with a duration of 8 years. The implied inflation assumption is therefore 5,55% per annum for future inflation. The source is the Johannesburg Stock Exchange through IRESS data services. We assumed that salary inflation will exceed general inflation by 1.0% per annum, i.e. 6,55% p.a.

Assets

The Company does not have any specific assets set aside to fund this liability. We have therefore not included any asset value in this report.

Net discount rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate for salary inflation is assumed to be 3,36% per annum (derived from a discount rate of 10,13% and the expected salary-inflation rate of 6,55%).

Pre-retirement mortality

We have assumed that the pre-retirement mortality will be in line with SA85-90 (Light) table, rated down by 3 years for female employees. This assumption is in line with the previous assumptions used.

Assumed retirement age

The normal retirement age of the group is 65 years. Evidence has shown that not all members are retiring at the normal retirement age. We have been advised that the average age for retiring members is 59 years of age. A normal retirement age of 59 years is assumed. For employees currently over age 59 we have assumed that they will retire immediately.

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Other assumptions				
Discount rate	10,13 %	10,68 %	10,13 %	10,68 %
Salary inflation increase rate	6,55 %	7,11 %	6,55 %	7,11 %
Long-term price inflation	3,36 %	3,33 %	3,36 %	3,33 %
Leave encashment				
Discount rate				
1% increase	2 126	3 009	2 126	3 009
Current assumption	2 175	3 088	2 175	3 088
1% decrease	2 228	3 172	2 228	3 172
Retirement age				
2-year increase	2 362	3 347	2 362	3 347
Current assumption	2 175	3 088	2 175	3 088
2-year decrease	1 972	2 798	1 972	2 798

Notes to the Consolidated and Separate Financial Statements

Actuarial assumptions

The assumptions used are based on statistics and market data as at 31 March 2023.

The previous valuation used the zero-coupon government nominal bond curve to set the discount rate and, the relationship to the nominal real curve, to derived inflation. For the current valuation we have set the discount rate and inflation assumptions with reference to the par/swap bond curves.

Discount rate assumption

The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the best fit discount rate at 31 March 2023 based on the yields from the Nominal Bond Par Swap curve with a duration of between 2 and 5 years. The recommended discount rate is 8,45%. The source is the Johannesburg Stock Exchange through INET BFA IRESS data service.

Net discount rate

The benefits do not increase and are pegged at the rate of applicable salary in 2001 or 2002 as applicable. The net discount rate is therefore 8,45% per annum.

Post-retirement mortality assumption

We have assumed that the pre-retirement mortality will be in line with SA85-90 (Light) table, rated down by 3 years for female employees. This assumption is in line with the previous assumptions used. This assumption is consistent with the assumption used for the previous valuation report.

Assumed retirement mortality assumption

The normal retirement age of the group is 65 years. Evidence has shown that not all members are retiring at exactly these ages. We have been advised that the average age for retiring members is 59 years of age. A normal retirement age of 59 years is assumed. For employees currently over age 59 we have assumed that they will retire in 1 years' time. This assumption is consistent with the assumption used for the previous valuation report.

Take-up rates assumption

We have assumed that the capped leave will be encashed on exit from the Company. This assumption is consistent with the assumption used for the previous valuation report.

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Other assumptions				
Discount rate	8,45 %	7,73 %	8,45 %	7,73 %
Expected return on plan assets	8,45 %	7,73 %	8,45 %	7,73 %
Long-term price inflation	4,74 %	5,25 %	4,74 %	5,25 %

Notes to the Consolidated and Separate Financial Statements

23. Trade and other payables

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Financial instruments:				
Trade payables	2 366 506	2 324 407	2 336 258	2 283 126
Postbank payable - SASSA Billing	827 528	827 528	827 528	827 528
Postbank payable - Daily settlement	2 484 498	1 992 606	2 484 498	1 992 606
Postbank payable - Value Added Tax	23 970	23 970	23 970	23 970
Postbank payable - Other	16	7	16	7
Money and postal orders	10 218	10 749	10 218	10 749
International trade payables	117 462	117 996	117 462	117 996
Employee related payables	3 066 477	2 219 901	3 066 477	2 219 901
Accrued expenses	411 852	631 226	403 332	622 995
Deposits received	87 460	79 204	87 213	78 951
Deferred gain on hedges	490	482	-	-
Other payables	94 411	121 287	90 292	116 055
Amounts due to subsidiaries	-	-	17 459	2 010
Non-financial instruments:				
Value Added Tax	26 257	436 793	25 933	436 474
	9 517 145	**8 786 156**	**9 490 656**	**8 732 368**

24. Financial liabilities at amortised cost

Current liabilities	-	24 969	-	24 969

Financial liabilities at amortised cost consisted of an advance payment of R541 million received from SASSA. This financial liability was an interest free liability which was fair valued at the average market interest rate of 7.36%. This advanced payment was repaid through 10% deduction from the service charges payable to SAPO under each monthly invoice issued to SASSA, until such time that the advance payment received was repaid in full. The difference between the fair value of the liability and the actual amount received was recognised as a government grant. The government grant portion was recognised as income over the period of the financial liability. The liability was settled in full during the current reporting period.

Notes to the Consolidated and Separate Financial Statements

25. Contract liabilities

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Summary of contract liabilities				
Subscriptions - upfront members	**1 954**	**1 954**	**-**	**-**
Reconciliation of contract liabilities			-	-
Opening balance	1 954	2 220	-	-
Change in timing of the right to consideration becoming unconditional	-	(266)	-	-
	1 954	**1 954**	**-**	**-**

Revenue on annual subscriptions (upfront membership) is recognised when control of the goods has transferred to the customer, which is the point at which the goods are delivered to the customer. The customer pays the transaction price at the point the purchase is made. All such payments are recognised as a contract liability until the goods have been delivered to the customer and revenue is recognised.

26. Deferred income

Deferred income consists of the following:				
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	25 724	19 374	25 724	19 374
Franking mail revenue	630	1 047	630	1 047
Box revenue	48 300	71 031	48 300	71 031
Stamp and envelope revenue	571	1 681	571	1 681
Speed services revenue	53	51	53	51
Subscription fees	5 664	5 847	-	-
Total deferred income	**80 942**	**99 031**	**75 278**	**93 184**

Notes to the Consolidated and Separate Financial Statements

Reconciliation of deferred income - Group 2023	Opening balance	Additions	Recognised as revenue	Closing balance
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	19 374	25 724	(19 374)	25 724
Franking mail revenue	1 047	630	(1 047)	630
Box revenue	71 031	48 300	(71 031)	48 300
Stamp and envelope revenue	1 681	571	(1 681)	571
Speed services revenue	51	53	(51)	53
Subscription fees	5 847	5 664	(5 847)	5 664
	99 031	**80 942**	**(99 031)**	**80 942**

Reconciliation of deferred income - Group 2022	Opening balance	Additions	Recognised as revenue	Closing balance
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	26 219	19 374	(26 219)	19 374
Franking mail revenue	1 092	1 047	(1 092)	1 047
Box revenue	108 164	71 031	(108 164)	71 031
Stamp and envelope revenue	1 712	1 681	(1 712)	1 681
Speed services revenue	101	51	(101)	51
Subscription fees	6 634	5 847	(6 634)	5 847
	143 922	**99 031**	**(143 922)**	**99 031**

Reconciliation of deferred income - Company 2023	Opening balance	Additions	Recognised as revenue	Closing balance
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	19 374	25 724	(19 374)	25 724
Franking mail revenue	1 047	630	(1 047)	630
Box revenue	71 031	48 300	(71 031)	48 300
Stamp and envelope revenue	1 681	571	(1 681)	571
Speed services revenue	51	53	(51)	53
	93 184	**75 278**	**(93 184)**	**75 278**

Notes to the Consolidated and Separate Financial Statements

Reconciliation of deferred income - Company 2022				
	Opening balance	Additions	Recognised as revenue	Closing balance
Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue	26 219	19 374	(26 219)	19 374
Franking mail revenue	1 092	1 047	(1 092)	1 047
Box revenue	108 164	71 031	(108 164)	71 031
Stamp and envelope revenue	1 712	1 681	(1 712)	1 681
Speed services revenue	101	51	(101)	51
	137 288	**93 184**	**(137 288)**	**93 184**

Deferred revenue

SAPO recognises deferred revenue for income received in advance on Postal related Income. The valuation of the deferred revenue is based on sampling systems, for Domestic mail (Test post system) and International mail (Quality of Service system). Sampling results are drawn from these systems for mailing made mid-month to end of March to determine the progress of delivery as at year end.

Bulk mail, parcels, hybrid, mail sundry and registered letters revenue

The deferred revenue calculation is based on the mail delivery performance statistics for March. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last twenty-one (2022: ten) days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised twenty-one (2022: ten) days after the reporting period.

Franking mail revenue

The deferred revenue calculation is based on the assumption that twenty-one (2022: ten) working days' revenue is unearned. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

Box revenue

The renewal cycle for the rental of the boxes is a calendar year from 1 January to 31 December however; the financial year for the Post Office is 1 April to 31 March. This means that only the revenue for three (3) months of the renewal cycle is earned for that financial year and the remaining nine (9) months of the renewal cycle is regarded as deferred revenue. The revenue deferred is expected to be recognised within nine (9) months after the reporting period.

The drop in box revenue can be attributed to numerous factors, most notably, closure of Post Office Branches (which led to affected customers opting to terminate their Post Box service subscriptions), and macro-environmental issues such as greater sensitivity to pricing amongst our customers, increased competition from electronic alternatives to physical mail, and the impact of Covid on renewals, which – at present – must be done in person at post office branches.

Stamp and envelope revenue

The deferred revenue calculation is based on the assumption that twenty-one (2022: ten) working days revenue is unearned. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last twenty-one (2022: ten) days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

Speed services revenue

The deferred revenue calculation is based on the courier delivery performance statistics for March. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last twenty-one (2022: ten) days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised twenty-one (2022: ten) days after the reporting period.

Notes to the Consolidated and Separate Financial Statements

Relating to The Document Exchange (Pty) Ltd:

Subscription fees

Members pay the subscription fee annually, for twelve (12) month period. In cases where the membership overlaps between two financial years, the portion of the amount belonging to the subsequent financial year is the unearned revenue and is deferred to the next financial year. The revenue deferred is expected to be recognised over the remaining subscription period that falls within the new reporting period.

27. Funds collected on behalf of third parties

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Agency services and collections	669 017	467 893	669 017	467 893

Funds collected from the customers of the company on behalf of third party clients are paid into their bank accounts within 24 hours following the collection at Post Office outlets. In terms of service level agreements with the clients, no interest will be paid to clients for the 24 hour period before the money collected is paid into the client's respective accounts.

28. Government grants

Current liabilities				
Unutilised grants	-	58 810	-	58 810
Subsidy received				
Government grants unutilised in prior year	58 810	152 234	58 810	152 234
Universal Service Obligations (USO)	519 273	542 655	519 273	542 655
Government grants utilised				
Utilised for Digital Terrestrial Television (DTT)	(58 810)	(75 429)	(58 810)	(75 429)
Unwinding of SASSA Grant	-	(6 359)	-	(6 359)
Utilised for postal address roll-out	-	(11 636)	-	(11 636)
Utilised for USO	(451 542)	(471 874)	(451 542)	(471 874)
Value Added Tax (VAT) paid on subsidy	(67 731)	(70 781)	(67 731)	(70 781)
Government grants unutilised	**-**	**58 810**	**-**	**58 810**

Notes to the Consolidated and Separate Financial Statements

29. Revenue

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Revenue from contracts with customers				
Courier and parcel revenue	33 553	46 714	33 553	46 714
Postal services revenue	1 418 594	1 694 084	1 418 594	1 694 084
Financial services	843 482	1 256 295	843 482	1 256 295
Rendering of services - DOCEX	32 780	34 024	-	-
Other revenue	325	215	311	215
	2 328 734	**3 031 332**	**2 295 940**	**2 997 308**
Disaggregation of revenue from contracts with customers				
The group disaggregates revenue from customers as follows:				
Courier and parcel revenue				
Parcels	20 718	24 374	20 718	24 374
Speed services	12 835	22 340	12 835	22 340
	33 553	**46 714**	**33 553**	**46 714**
Postal services revenue				
Franking mail	48 700	67 235	48 700	67 235
Bulk mail	925 628	995 133	925 628	995 133
Secure mail	12 036	19 830	12 036	19 830
Sundry mail	3 034	4 562	3 034	4 562
Stamp and philately	39 836	43 769	39 836	43 769
Foreign	133 481	155 848	133 481	155 848
Envelope	23 561	27 628	23 561	27 628
Hybrid mail	67 016	142 781	67 016	142 781
Registered letters	57 055	68 280	57 055	68 280
Box and key	108 247	169 018	108 247	169 018
	1 418 594	**1 694 084**	**1 418 594**	**1 694 084**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Financial services				
Motor licensing	340 359	401 147	340 359	401 147
Social grant	318 812	798 842	318 812	798 842
Money and postal orders	1 211	303	1 211	303
Digital Terrestrial Television (DTT)	156 189	19 148	156 189	19 148
Municipality commission	1 667	3 979	1 667	3 979
National housing	8 750	10 224	8 750	10 224
Prepaid revenue	733	845	733	845
Lottery commission	2 582	3 167	2 582	3 167
Pay-a-bill commission	6 520	10 057	6 520	10 057
Fax & photocopier	1 276	2 835	1 276	2 835
Sundry retail	5 383	5 748	5 383	5 748
	843 482	**1 256 295**	**843 482**	**1 256 295**
Rendering of services - DOCEX				
Barcode rolls	1 773	1 670	-	-
Subscription revenue	25 951	27 054	-	-
Delivery messenger service	402	291	-	-
Daily delivery, Entry fees & Excess weight	4 654	5 009	-	-
	32 780	**34 024**	**-**	**-**
Other revenue				
Digital revenue	325	215	311	215
Total revenue from contracts with customers	**2 328 734**	**3 031 332**	**2 295 940**	**2 997 308**

Notes to the Consolidated and Separate Financial Statements

30. Other operating income

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Administration and management fees received	1	-	-	-
Fees earned	68	-	-	-
Commissions received	9 250	-	-	-
Other rental income	73 614	145 629	72 055	144 158
Bad debts recovered	184	20	184	20
Other recoveries	155 470	121 573	155 342	121 420
Sundry income	-	6 298	-	-
Other income	60 623	17 929	52 911	17 851
Government grants	451 542	489 869	451 542	489 869
	750 752	**781 318**	**732 034**	**773 318**

31. Other operating gains (losses)

		Group		Company	
Figures in Rand thousand		**2023**	**2022**	**2023**	**2022**
Gains (losses) on disposals, scrappings and settlements					
Property, plant and equipment	**3**	**(6 703)**	**(115 549)**	**(6 703)**	**(115 549)**
Foreign exchange gains (losses)					
Net foreign exchange gains (losses)		**7 068**	**(1 893)**	**7 068**	**(1 893)**
Fair value gains (losses)					
Investment property	**5**	**(8 064)**	**53 828**	**(12 788)**	**45 684**
Total other operating gains (losses)		**(7 699)**	**(63 614)**	**(12 423)**	**(71 758)**

Notes to the Consolidated and Separate Financial Statements

32. Other operating expenses

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

		Group		Company	
Figures in Rand thousand		**2023**	**2022**	**2023**	**2022**
Auditor's remuneration - external					
Audit fees		**29 407**	**29 146**	**28 577**	**28 063**
Remuneration, other than to employees					
Administrative and managerial services		1 292	1 368	-	-
Consulting and professional services		43 721	59 595	43 721	59 470
		45 013	**60 963**	**43 721**	**59 470**
Expenses by nature					
Other operating expenses are analysed by nature as follows:					
Lease expenses		240 691	356 740	240 286	354 210
Bank charges		52 501	221 335	52 363	221 194
Fines and penalties		36 712	134 503	36 712	134 503
Municipal expenses		215 527	228 862	212 039	225 707
Security		316 590	580 994	316 580	580 984
Telephone and fax		(48 536)	19 119	(48 937)	18 854
Other expenses		336 201	250 309	324 693	248 160
		1 149 686	**1 791 862**	**1 133 736**	**1 783 612**

Notes to the Consolidated and Separate Financial Statements

33. Employee costs

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Employee costs				
Basic	2 293 572	2 546 937	2 278 918	2 532 471
Commissions	7 078	6 212	7 078	6 212
13th Cheque	169 993	146 223	168 897	144 935
Medical aid - company contributions	366 667	397 177	365 082	395 703
Unemployment insurance fund	25 740	28 298	25 612	28 166
Workers compensation assistance	24 635	23 593	24 300	23 593
Skills development levy	27 035	29 910	26 864	29 742
Other payroll levies	22	62	-	-
Leave pay provision charge	415	22 704	157	22 891
Home-owner's allowance	10 867	12 272	10 734	12 134
Motor scheme management	9 392	10 896	9 382	10 885
Training expenses	18	144	18	144
Other short-term costs	211 682	9 691	211 311	9 426
Retirement benefit plans	296 964	328 937	295 149	327 159
Termination benefits	233 256	102 996	233 256	102 996
	3 677 336	**3 666 052**	**3 656 758**	**3 646 457**

34. Depreciation, amortisation and impairment losses

Depreciation				
Property, plant and equipment	92 119	105 885	92 020	105 616
Right-of-use assets	242 591	434 008	240 809	432 088
	334 710	**539 893**	**332 829**	**537 704**
Amortisation				
Intangible assets	1 504	6 356	1 504	6 356
Total depreciation, amortisation and impairment				
Depreciation	334 710	539 893	332 829	537 704
Amortisation	1 504	6 356	1 504	6 356
	336 214	**546 249**	**334 333**	**544 060**

Notes to the Consolidated and Separate Financial Statements

35. Investment income

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Dividend income				
Equity instruments at fair value through other comprehensive income:				
Unlisted investments - Local	15 000	15 500	15 000	15 500
Total dividend income	**15 000**	**15 500**	**15 000**	**15 500**
Interest income				
Investments in financial assets:				
Bank and other cash	43 811	77 180	42 455	76 329
Interest on retirement benefit asset	883 390	979 074	883 390	979 074
Total interest income	**927 201**	**1 056 254**	**925 845**	**1 055 403**
Total investment income	**942 201**	**1 071 754**	**940 845**	**1 070 903**

36. Finance costs

Lease liabilities	83 832	120 107	83 538	119 774
Interest paid (bank)	301	25	146	-
Unwinding of site restoration provision	3 888	6 706	3 888	6 706
Trade and other payables	251 004	116 097	251 004	116 097
Term loan interest (Postbank)	11 463	8 292	11 463	8 292
Interest (actuarial) on retirement benefit obligation	717 339	812 516	717 139	812 337
Interest (actuarial) on long service award	5 163	-	5 163	-
Total finance costs	**1 072 990**	**1 063 743**	**1 072 341**	**1 063 206**

Notes to the Consolidated and Separate Financial Statements

37. Other non-operating gains (losses)

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Fair value gains (losses)				
Post-retirement medical aid and Provident fund asset	**138 874**	**112 201**	**138 874**	**112 201**

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 Post-retirement medical aid asset as well as Provident fund asset. Refer to note 12 for more detail.

38. Taxation

Major components of the tax (income) expense				
Current				
Local income tax - current period	**348**	**3 346**	**-**	**-**
Deferred				
Originating and reversing temporary differences	(2 816)	1 173	-	-
	(2 468)	**4 519**	**-**	**-**
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	27.00 %	28.00 %	27.00 %	28.00 %
Exempt income	(4.53)%	(4.56)%	(4.51)%	(4.56)%
Disallowable charges	3.79 %	6.77 %	3.77 %	6.77 %
Non deductible expenses	(0.13)%	0.06 %	- %	- %
Reversing temporary differences	(0.13)%	(0.02)%	- %	- %
Net deferred tax not raised	(26.00)%	(30.22)%	(26.26)%	(30.21)%
Prior year adjustments - prior year	- %	(0.03)%	- %	- %
	- %	**- %**	**- %**	**- %**

Notes to the Consolidated and Separate Financial Statements

39. Cash used in operations

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Loss before taxation	(2 164 245)	(2 230 329)	(2 174 582)	(2 243 870)
Adjustments for:				
Depreciation and amortisation	336 214	546 249	334 333	544 060
Fair value gains in PRMA financial asset	(138 874)	(112 201)	(138 874)	(112 201)
Other operating expenses	(114 779)	162 940	(114 991)	170 006
Asset retirements and changes in accounting estimate	(1 003)	-	(1 003)	-
Fair value (gains) losses	7 699	63 614	12 423	71 758
Dividends received (trading)	(15 000)	(15 500)	(15 000)	(15 500)
Interest income	(927 201)	(1 056 254)	(925 845)	(1 055 403)
Finance costs	1 072 990	1 063 743	1 072 341	1 063 206
Borrowings (Postbank)	7 972	5 147	7 972	5 147
Government grants	(58 810)	(93 424)	(58 810)	(93 424)
Movements in operating lease assets and accruals	(3 381)	4 417	(3 373)	4 294
Movements in provisions	(58 699)	(20 125)	(58 552)	(19 992)
Movements in retirement benefit assets and liabilities	(150 253)	(138 394)	(150 253)	(138 484)
Changes in working capital:				
Inventories	(2 600)	7 841	(2 611)	8 129
Trade and other payables	479 985	888 697	507 284	885 499
Trade and other receivables	1 133 933	(203 684)	1 132 754	(205 544)
Deferred income	(18 089)	(44 891)	(17 906)	(44 104)
Prepayments	1 519	(34)	1 519	(34)
Funds collected on behalf of third parties	201 124	90 969	201 124	90 969
Contract liabilities	-	(266)	-	-
	(411 498)	**(1 081 485)**	**(392 050)**	**(1 085 488)**

Notes to the Consolidated and Separate Financial Statements

40. Tax paid

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Balance at beginning of the year	(655)	8	-	-
Current tax for the year recognised in profit or loss	(348)	(4 519)	-	-
Balance at end of the year	46	655	-	-
	(957)	**(3 856)**	**-**	**-**

41. Related parties

Relationships	
Ultimate holding company	South African Government
Holding company	South African Post Office SOC Ltd (SA Post Office)
Subsidiaries	Refer to note 8
Shareholder with significant influence	The Department of Communication and Digital Technology
	National Treasury
Provisional liquidator	Anton Shaban, Kaap Vall Trust (Pty) Ltd
Post employment benefit plan for employees	Post Office Retirement Fund
Other relationships	South African Government Entities

Intragroup transactions and balances

Balances and transactions between the Company and its subsidiaries, which are related parties of SAPO, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

Terms loans: Unsecured, interest free and no repayment date.

Terms receivables: Unsecured, interest at prime and no repayment date.

Inter-governmental transactions and balances

Inter-governmental transactions and balances refers to transactions and balances between SAPO and other government entities.

Only individually significant transactions and balances are disclosed. According to the materiality framework of SAPO, the significant threshold is R100 million. Transactions and balances that are not at arm's length are considered to be significant even if they are below the R100 million threshold. All inter-governmental transactions have been made at arm's length.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Related party balances				
Loan accounts - Owing (to) by related parties				
SAPOS Properties (Bloemfontein) (Pty) Ltd	-	-	587	506
SAPOS Properties (Cape Town) (Pty) Ltd	-	-	(867)	(600)
SAPOS Properties (East Rand) (Pty) Ltd	-	-	6 577	5 020
SAPOS Properties (Port Elizabeth) (Pty) Ltd	-	-	143	(847)
SAPOS Properties (Rossburgh) (Pty) Ltd	-	-	(16 734)	(562)
The Courier and Freight Group (Pty) Ltd	-	-	711 496	703 996
South African Social Services Agency	-	(24 969)	-	(24 969)
Amounts included in Trade Payables regarding related parties				
Post Office Retirement Fund	(1 303 693)	(768 760)	(1 303 693)	(768 760)
Postbank SOC Limited	(3 551 865)	(2 844 104)	(3 551 865)	(2 844 104)
South African Revenue Services (Employee tax & other taxes)	(670 874)	(486 689)	(670 874)	(486 689)
South African Revenue Services (Value Added Tax)	(30 459)	(443 893)	(30 459)	(443 893)
Telkom SA Limited	(252 116)	(118 540)	(252 116)	(117 938)
Other public entities	(133 235)	(226 239)	(133 235)	(189 671)
Amounts included in Trade Receivables regarding related parties				
South African Social Services Agency	-	93 876	-	93 876
Other public entities	514 748	(13 781)	514 748	(13 781)
Postbank	14 738	-	14 738	-
Grant subsidy balance				
Department of Communications and Digital Technologies	-	(58 810)	-	(58 810)

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Related party transactions				
Transactions with subsidiaries				
The Document Exchange (Pty) Ltd - Sales	4 230	-	4 230	1 484
Purchases from related parties				
Eskom SOC Limited	(11 920)	(34 863)	(11 920)	(33 576)
Telkom SA Limited	(542 560)	(326 100)	(542 560)	(318 212)
Other public entities	(749 519)	(84 097)	(749 519)	(84 097)
Sales to related parties				
South African Social Services Agency	648 842	1 437 336	648 842	1 437 336
Other public entities	204 134	289 945	204 134	293 430
Postbank SOC Limited	217 818	118 056	217 818	118 056
Transactions with authorities & regulators				
South African Revenue Services (Employee tax & other taxes)	(222 199)	(232 356)	(222 199)	(267 209)
Unemployment insurance fund	(51 224)	(48 985)	(51 224)	(56 333)
Funds collected on behalf of third parties				
Post Office Retirement Fund	-	(426 286)	-	(426 286)
South African Broadcasting Corporation Limited	(398)	(98 358)	(398)	(98 358)
Other public entities	(55 928)	(28 551)	(55 928)	(28 551)
Other transactions				
Department of Communications and Digital	-	542 655	-	542 655
Technologies - Grant subsidy				

The assets and liabilities of the post-retirement fund and the post-retirement medical aid are valued through an independent valuation. Refer to note 12 for the detailed disclosure.

The remuneration of directors and other members of key management amounted to R26,727 million (2022: R23,899 million).

Notes to the Consolidated and Separate Financial Statements

42. Directors' and prescribed officers' emoluments

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

Executive 2023						
		Emoluments	Other Benefits [1]	Compensation for loss of office	Gains on exercise of options	Total
Ms NP Mona	2	3 992	-	-	-	3 992
Mr L Govender	3	1 666	4	-	-	1 670
Ms F Gany-Ahmed	4	261	-	-	-	261
		5 919	**4**	**-**	**-**	**5 923**

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as GCEO on 1 April 2021.
3. Appointed as Acting GCFO on 1 January 2021 - 15 December 2022.
4. Appointed as GCFO on 1 March 2023.

Executive 2022					
		Emoluments	Other Benefits [1]	Compensation for loss of office	Total
Ms NP Mona	2	3 992	-	-	3 992
Mr L Govender	3	2 126	77	-	2 203
Ms Z Ntsikeni	4	2 594	115	-	2 709
		8 712	**192**	**-**	**8 904**

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Group CEO on 1 April 2021.
3. Appointed as Acting Group CFO on 1 June 2020 - 30 September 2020. Re-appointed as Acting Group CFO on 1 January 2021 to 15 December 2022.
4. Appointed as GE: Operations on 1 April 2019. Appointed as Acting COO on 1 April 2021 - 31 August 2021.

Notes to the Consolidated and Separate Financial Statements

Non-executive 2023					
		Directors' fees [1]	Committees fees	Other fees (Consultancy fees to subsidiary)	Total
Mr SLM Majombozi	2	383	-	-	383
Ms NP Ngonyama	3	277	-	-	277
Mr ST Nkese	4	267	-	-	267
Mr TJ Ntetho	5	292	-	-	292
Ms YLM Manzini	6	182	-	-	182
		1 401	**-**	**-**	**1 401**

1. Emoluments include both directors' fees for meetings and annual / quarterly retainer fees. Travel and accommodation expenses for members outside the Gauteng province.
2. Appointed on 2 September 2020, contract ended 24 October 2022, term extended until 25 March 2023, term extended again from 01 April 2023 until 30 June 2023. Resigned on 25 May 2023.
3. Appointed on 25 October 2019, contract ended on 24 October 2022, term extended until 23 March 2023, term extended again from 01 April 2023 until 23 May 2023.
4. Appointed on 25 October 2019, contract ended 24 October 2022, term extended until 25 March 2023, term extended again from 01 April 2023 until 25 May 2023.
5. Appointed on 01 June 2021, contract ended 31 October 2022, term extended until 25 March 2023, term extended again on 01 April 2023 until 25 May 2023.
6. Appointed on 03 September 2020 resigned 22 October 2022.

Notes to the Consolidated and Separate Financial Statements

Non-executive 2022				
		Directors' fees [1]	Other fees (Consultancy fees to subsidiary)	Total
Mr SLM Majombozi	2	355	-	355
Ms NP Ngonyama	3	303	-	303
Mr ET Lekgau	4	290	-	290
Mr ST Nkese	5	186	-	186
Ms S Phillip	6	124	-	124
Ms CM van der Sandt	7	607	-	607
Mr TJ Ntetho	8	247	-	247
Ms YLM Manzini	9	318	-	318
Ms N Pietersen	10	268	-	268
		2 698	**-**	**2 698**

1. Emoluments include both directors' fees for meetings and annual / quarterly retainer fees. Travel and accommodation expenses for members outside the Gauteng province.
2. Appointed as Acting Deputy on 2 September 2020.
3. Appointed 25 October 2019.
4. Appointed 1 September 2020. Resigned 14 February 2022.
5. Appointed 25 October 2019.
6. Appointed 4 September 2020.
7. Appointed as Deputy Chairperson on 25 October 2019. Re-appointed as Acting Chairperson on 7 August 2020. Resigned 5 January 2022.
8. Appointed 1 June 2021.
9. Appointed 3 September 2020.
10. Appointed 1 September 2020. Resigned 27 January 2022.

The note excludes the stamp advisory members which result in the difference between the expense amount and the disclosure amount.

Notes to the Consolidated and Separate Financial Statements

Prescribed officers 2023		Emoluments	Other Benefits [1]	Compensation for loss of office (Leave pay)	Total
Mr J Binedell	2	1 015	3	-	1 018
Mr D Dada	3	1 722	12	-	1 734
Mr B Mgoza	4	2 440	4	-	2 444
Ms K Rapoo	5	1 455	-	-	1 455
Ms S Sontange	6	340	2	-	342
Mr G Bataille	7	1 293	4	-	1 297
Mr V Dlamini	8	1 013	-	-	1 013
Ms Z Ntsikeni	9	2 593	12	-	2 605
Mr S Kgalanyane	10	1 500	4	-	1 504
Mr H Vos	11	1 272	5	-	1 277
Mr M Coetsee	12	954	2	-	956
Mr S Gaybba	13	954	2	-	956
Mr E Matimulane	14	1 636	-	-	1 636
Mr J Jagbeer	15	636	-	-	636
Mr E Jaftha	16	530	-	-	530
		19 353	**50**	**-**	**19 403**

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Acting Chief Audit Executive on 28 October 2020.
3. Company Secretary from 1 August 2017.
4. Appointed as GM: Real Estate. Suspended on 23 May 2022.
5. Appointed as GM: Risk Management.
6. Appointed as Acting GE: Supply Chain Management on 5 December 2019. Suspended on 11 July 2022.
7. Appointed as Acting GE: Strategy on 1 November 2021.
8. Appointed as GE: Human Resources on 12 September 2022.
9. Appointed as GE: Operations.
10. Appointed as GM Logistics.
11. Appointed as GM Security and Investigations.
12. Appointed as Acting GM Real Estate.
13. Appointed as Acting GE: Supply Chain Management on 8 July 2022.
14. Appointed as Head: Legal.
15. Appointed as GM: GCEO Office Manager and Acting GE Commercial on 1 October 2022.
16. Appointed as Acting CIO on 1 November 2022.

Notes to the Consolidated and Separate Financial Statements

Prescribed officers 2022					
		Emoluments	Other Benefits [1]	Compensation for loss of office (Leave pay)	Total
Mr J Binedell	2	1 016	104	-	1 120
Mr D Dada	3	1 721	23	-	1 744
Ms L Mabena	4	842	132	-	974
Mr B Mgoza	5	2 440	9	-	2 449
Ms K Rapoo	6	1 451	-	-	1 451
Mr N Ruthnam	7	744	66	83	893
Ms S Sontange	8	1 360	57	-	1 417
Mr G Bataille	9	538	4	-	542
Mr M Sibiya	10	1 033	37	-	1 070
Mr Motjale	11	393	4	240	637
		11 538	**436**	**323**	**12 297**

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Acting Chief Audit Executive on 28 October 2020.
3. Company Secretary from 01 August 2017.
4. Appointed as Acting GE: Human Resources on 01 March 2021 - 31 March 2022.
5. Appointed as GM: Real Estate on 01 August 2015.
6. Appointed as GM: Risk Management on 01 February 2003.
7. Appointed as Acting GE: Strategy on 7 July 2018. Retired 31 October 2021.
8. Appointed as Acting GE: Supply Chain Management on 5 December 2019.
9. Appointed as Acting GE: Strategy on 1 November 2021.
10. Appointed as Acting GE: Sales on 1 April 2021 - 31 March 2022.
11. Appointed as GE: Supply Chain Management. Retired 31 May 2021.

Notes to the Consolidated and Separate Financial Statements

43. Comparative figures and prior period errors

The comparative figures for the separate and consolidated annual financial statements have been restated due to various errors and reclassifications. The Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 31 March 2021 is therefore presented in these consolidated financial statements due to the retrospective correction of errors.

Narrative disclosures have been provided only for individually or collectively material misstatements (i.e. those that could reasonably be expected to influence economic decisions users make on the basis of the financial statements). The quantitative threshold or qualitative considerations of the error, or a combination of both, were considered when determining whether the error is material or not.

The effects of the restatement are as follows:

Statement of Financial Position – Group 2022					
Figures in Rand thousand	**Note(s)**	**2022 (Previously stated)**	**Correction of account classification errors**	**Correction of account balances**	**2022 (Restated)**
Assets					
Non-current assets					
Right-of-use assets	43.1	279 753	-	95 798	375 551
Deferred tax	43.2	5 130	-	1 096	6 226
Current assets					
Operating lease asset	43.3	105	361	-	466
Trade and other receivables		1 818 391	16 109	89	1 834 589
Current tax receivable	43.2	1 976	-	(1 866)	110
Inventories		47 243	-	-	47 243
Equity and liabilities					
Equity					
Accumulated loss (before loss for the year)	43.4	14 294 603	-	1 115 052	15 409 655
Non-current liabilities					
Lease liabilities	43.1	(134 607)	-	(67 044)	(201 651)
Deferred tax		(19 324)	-	(690)	(20 014)
Current liabilities					
Lease liabilities	43.1	(219 664)	-	(173 618)	(393 282)
Operating lease liability	43.3	-	(361)	-	(361)
Trade and other payables	43.5	(7 765 775)	-	(1 020 382)	(8 786 157)
Deferred income	43.6	(81 639)	-	(1 282)	(82 921)
Current tax payable	43.2	-	-	(765)	(765)
Deposits from the public		(7)	-	7	-
Contract liabilities		(1 954)	(16 109)	-	(18 063)
Effect on statement of financial position		**-**	**-**	**(53 605)**	**-**

Notes to the Consolidated and Separate Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand thousand	Note(s)	2022 (Previously stated)	Correction of account classification errors	Correction of account balances	2022 (Restated)
Revenue	43.7	3 032 614	-	(1 282)	3 031 332
Other operating income	43.8	781 186	-	132	781 318
Other operating expenses	43.9	(1 853 356)	-	61 493	(1 791 863)
Total depreciation, amortisation and impairments					
Depreciation of property plant and equipment	43.1	(515 768)	-	(30 481)	(546 249)
Finance cost					
Finance leases	43.1	(982 942)	-	(80 801)	(1 063 743)
Taxation					
Normal income tax	43.10	(275)	-	(3 071)	(3 346)
Deferred tax (I/S)	43.10	(1 577)	-	405	(1 172)
Net effect on loss for the year		**-**	**-**	**(53 605)**	**-**

Notes to the Consolidated and Separate Financial Statements

Statement of Financial Position – Group 2021					
Figures in Rand thousand	**Note(s)**	**2021 (Previously stated)**	**Correction of account classification errors**	**Correction of account balances**	**2021 (Restated)**
Assets					
Non-current assets					
Right-of-use assets	43.1	634 783	-	97 276	732 059
Current assets					
Operating lease asset	43.3	3 266	361	-	3 627
Trade and other receivables		1 774 170	24 806	-	1 798 976
Equity and liabilities					
Equity					
Accumulated loss	43.4	12 027 591	-	1 115 054	13 142 645
Non-current liabilities					
Lease liabilities	43.1	(355 414)	-	(139 983)	(495 397)
Current liabilities					
Lease liabilities	43.1	(251 886)	-	(428 805)	(680 691)
Operating lease liability	43.3	-	(361)	-	(361)
Trade and other payables	43.5	(7 137 819)	-	(643 542)	(7 781 361)
Contract liabilities		(2 220)	(24 806)	-	(27 026)
Effect on statement of financial position		**-**	**-**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

Statement of Financial Position – Company 2022					
	Note(s)	**2022 (Previously stated)**	**Correction of account classification errors**	**Correction of account balances**	**2022 (Restated)**
Assets					
Non-current assets					
Right-of-use assets	43.1	270 935	-	99 913	370 848
Current assets					
Trade and other receivables		1 810 346	16 109	-	1 826 455
Equity and liabilities					
Equity					
Accumulated loss (before loss for the year)	43.4	14 311 596	-	1 116 210	15 427 806
Non-current liabilities					
Lease liabilities	43.1	(123 968)	-	(74 158)	(198 126)
Current liabilities					
Lease liabilities	43.1	(219 664)	-	(171 887)	(391 551)
Trade and other payables	43.5	(7 712 385)	-	(1 019 984)	(8 732 369)
Deposits from the public		(7)	-	7	-
Contract liabilities		-	(16 109)	-	(16 109)
Effect on statement of financial position		**-**	**-**	**(49 899)**	**-**

Notes to the Consolidated and Separate Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand thousand	Note(s)	2022 (Previously stated)	Correction of account classification errors	Correction of account balances	2022 (Restated)
Other operating expenses	43.9	(1 845 535)	-	61 923	(1 783 612)
Total depreciation, amortisation and impairments					
Depreciation of property plant and equipment	43.1	(513 757)	-	(30 303)	(544 060)
Finance cost					
Finance leases	43.1	(981 687)	-	(81 519)	(1 063 206)
Net effect on loss for the year		**-**	**-**	**(49 899)**	**-**

Statement of Financial Position – Company 2021

	Note(s)	2021 (Previously stated)	Correction of account classification errors	Correction of account balances	2021 (Restated)
Assets					
Non-current assets					
Right-of-use assets	43.1	624 379	-	105 484	729 863
Current assets					
Trade and other receivables		1 764 345	24 806	-	1 789 151
Equity and liabilities					
Equity					
Accumulated loss	43.4	12 039 666	-	1 116 212	13 155 878
Non-current liabilities					
Lease liabilities	43.1	(343 632)	-	(150 615)	(494 247)
Current liabilities					
Lease liabilities	43.1	(251 886)	-	(427 538)	(679 424)
Trade and other payables	43.1	(7 087 232)	-	(643 543)	(7 730 775)
Contract liabilities		-	(24 806)	-	(24 806)
Effect on statement of financial position		**-**	**-**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

43.1. Right-of-use assets and lease liability

Lease liabilities (together with right of use ("ROU") assets, depreciation (of ROU assets), finance costs attributable to finance leases), and other operating expenses were restated to account for corrections to the composition of the Company's underlying lease list, and to correct for the use of contractual amounts in the valuation instead of the actual payments. In addition, the revised figures fully incorporate escalation rates to the lease amount.

The incorporation of actual payments into the lease valuation also resulted in the transfer of amounts previously presented under trade and other payables to the finance lease obligation.

43.2. Deferred tax, and Current tax payable/receivable (DOCEX)

Deferred tax in 2022 was restated by an amount of (2022: R 414 585). This movement was due to the reported profit position of DOCEX.

43.3. Operating lease asset and liability

An amount of R361k attributable to operating lease liabilities was previously misclassified under operating lease assets.

43.4. Accumulated loss

Restatements to retained income represents the cumulative effect of all the corrections and reclassifications discussed in this note.

43.5. Trade and other payables

The incorporation of actual payments into the lease valuation (discussed above) resulted in the transfer of amounts previously presented under trade and other payables to the finance lease obligation.

In addition, DOCEX Trade and other payables in was restated by an amount of (2022: R394 616). An adjustment in tax liability increased other payables balance by the amount.

43.6. Deferred income

DOCEX deferred income understated was restated by an amount of (2022: R1,282,295), against subscription revenue. The decrease in revenue decreased retained earnings by R 1,282,295.

43.7. Revenue

Understated deferred income at DOCEX was corrected by an amount of (2022: R1,282k), against subscription revenue. The decrease in revenue decreased retained earnings by R 1,282k.

43.8. Other operating income

The prior period error relates to the restatement of Trade and other receivables for occupational rent not accounted for in the prior year at SAPOS Properties (Port Elizabeth) (Pty) Ltd (R 74k) and SAPOS Properties (Rossburgh) (Pty) Ltd (R 57k).

43.9. Other operating expenses

Within other operating expenses, lease expenses were corrected as a consequence of restatements in Right-of-use assets and Lease liability.

43.10. Taxation

Errors were identified in the calculation of the property subsidiaries' income tax movement for the 2021 financial year, resulting in the restatement of the income tax expense and the related liability.

The entities affected were SAPOS Properties (Port Elizabeth) (Pty) Ltd (R792 increase in income tax expense and payable), and SAPOS Properties (Rossburgh) (Pty) Ltd (R1,885k).

43.11. Related parties

Related party transactions and balances in the previous financial year were not presented at the correct amounts. The resulted in revisions to the related party disclosures, however, the primary financial statements were not impacted by the errors.

Notes to the Consolidated and Separate Financial Statements

44. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2023							
	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value through profit or loss - Designated	Amortised cost	Leases	Total	Fair value
Other financial assets	10	94 333	1 472	-	-	95 805	95 805
Operating lease asset	11	-	-	-	5 709	5 709	5 709
Trade and other receivables	14	-	-	273 816	-	273 816	273 816
Cash and cash equivalents	16	-	-	539 493	-	539 493	539 493
		94 333	**1 472**	**813 309**	**5 709**	**914 823**	**914 823**

Group - 2022							
	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value through profit or loss - Designated	Amortised cost	Leases	Total	Fair value
Other financial assets	10	129 986	503 476	-	-	633 462	633 462
Operating lease asset	11	-	-	-	2 328	2 328	2 328
Trade and other receivables	14	-	-	351 395	-	351 395	351 395
Cash and cash equivalents	16	-	-	605 642	-	605 642	605 643
		129 986	**503 476**	**957 037**	**2 328**	**1 592 827**	**1 592 828**

Notes to the Consolidated and Separate Financial Statements

Company - 2023							
	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value through profit or loss - Designated	Amortised cost	Leases	Total	Fair value
Other financial assets	10	94 333	1 472	-	-	95 805	95 805
Operating lease asset	11	-	-	-	5 671	5 671	5 671
Trade and other receivables	14	-	-	269 743	-	269 743	269 743
Cash and cash equivalents	16	-	-	516 464	-	516 464	516 464
		94 333	**1 472**	**786 207**	**5 671**	**887 683**	**887 683**

Company - 2022							
	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value Amortised cost through profit or loss - Designated	Amortised cost	Leases	Total	Fair value
Other financial assets	10	129 986	503 476	-	-	633 462	633 462
Operating lease asset	11	-	-	-	2 298	2 298	2 298
Trade and other receivables	14	-	-	345 718	-	345 718	345 718
Cash and cash equivalents	16	-	-	580 174	-	580 174	580 174
		129 986	**503 476**	**925 892**	**2 298**	**1 561 652**	**1 561 652**

Notes to the Consolidated and Separate Financial Statements

Categories of financial liabilities – Group 2023

	Note(s)	Amortised cost	Leases	Total	Fair value
Lease liabilities	4	375 252	-	375 252	375 252
Operating lease accrual	11	-	361	361	361
Borrowings	20	215 869	-	215 869	215 869
Trade and other payables	23	9 490 888	-	9 490 888	9 490 888
Funds collected on behalf of third parties	27	669 017	-	669 017	669 017
		10 751 026	**361**	**10 751 387**	**10 751 387**

Categories of financial liabilities – Group 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Lease liabilities	4	594 933	-	594 933	594 933
Operating lease accrual	11	-	361	361	361
Borrowings	20	207 897	-	207 897	207 897
Trade and other payables	23	8 349 363	-	8 349 363	8 349 363
Financial liabilities at amortised cost	24	24 969	-	24 969	24 969
Funds collected on behalf of third parties	27	467 893	-	467 893	467 893
		9 645 055	**361**	**9 645 416**	**9 645 416**

Notes to the Consolidated and Separate Financial Statements

Categories of financial liabilities – Company - 2023				
	Note(s)	**Amortised cost**	**Total**	**Fair value**
Lease liabilities	4	370 536	370 536	370 536
Trade and other payables	23	9 464 723	9 464 723	9 464 723
Borrowings	20	215 869	215 869	215 869
Funds collected on behalf of third parties	27	669 017	669 017	669 017
		10 720 145	**10 720 145**	**10 720 145**

Categories of financial liabilities – Company 2022				
	Note(s)	**Amortised cost**	**Total**	**Fair value**
Lease liabilities	4	589 677	589 677	589 677
Borrowings	20	207 897	207 897	207 897
Trade and other payables	23	8 295 894	8 295 894	8 295 894
Financial liabilities at amortised cost	24	24 969	24 969	24 969
Funds collected on behalf of third parties	27	467 893	467 893	467 893
		9 586 330	**9 586 330**	**9 586 330**

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 borrowings (excluding derivative financial liabilities) disclosed in notes 9, 24, 22 & 26, equity disclosed in note 18 and cash and cash equivalents disclosed in note 16 in the statement of financial position. Refer to note 49 for further context on the group's exposure to risk capital.

The group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The group's exposure to capital risk arises from primarily the following:

- Funds which are being received from the shareholder may cease before completion of the projects that they are intended to be financed; and
- Funds received from the shareholder are specifically for certain identified projects.

Capital risk is managed in terms of certain guidelines agreed between the group and shareholder. There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Notes to the Consolidated and Separate Financial Statements

The gearing ratio at 31 March 2023 and 31 March 2022 respectively were as follows:

		Group		Company	
Figures in Rand thousand		**2023**	**2022**	**2023**	**2022**
Financial liabilities at amortised cost	24	-	24 969	-	24 969
Provisions	22	307 894	381 861	305 882	380 034
Operating lease liability	11	361	361	-	-
Deferred income	26	80 942	99 031	75 278	93 184
Total borrowings		**389 197**	**506 222**	**381 160**	**498 187**
Cash and cash equivalents	16	539 493	605 642	516 464	580 174
Net borrowings		**150 296**	**99 420**	**135 304**	**81 987**
Equity		(7 478 805)	(5 250 325)	(7 505 923)	(5 264 770)
Gearing ratio		(2)%	(2)%	(2)%	(2)%

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

A comprehensive treasury policy has been compiled and approved by the board to ensure that all financial risks to which the group is exposed are understood and managed. The treasury policy covers all key areas of risk management namely identification, measurement, management and reporting of risk. Governance structures are in place to achieve effective independent monitoring and management of market risks through:

- The group's Asset and Liability Management ("ALM") function that is responsible for the day-to-day monitoring, evaluation and reporting of all market risks;
- The board's Group Risk Committee which is responsible for ensuring that from a strategic perspective, risk is handled as an area of competitive advantage and a key source of innovation; and

Finance risk management objectives

The Group's ALM function monitors and manages market risks relating to the treasury operations of the Group through internal risk reports which 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 minimize the effects of the negative impact of these risks by ensuring compliance with the treasury policy limits and benchmarks with regard to the following:

- Proposed money market investment strategies do not result in the breach of asset/liability mismatch gap limit;
- Ensuring that the net interest income volatility is within approved benchmark;
- Adequate overnight liquidity limit is complied with by having sufficient overnight callable balances;
- The South African Post Office (SOC) Limited's credit exposure in the investment portfolio is diversified across a range of acceptable counterparties and the maximum investment with a particular counterparty will be limited

Notes to the Consolidated and Separate Financial Statements

to 25% of the total counterparty should be limited to 50% + 1 of the total investment and not exceeding R25 million investments. Where the amount to be invested per counterparty is less than or equal to R50 million, the minimum investment with any one counterparty should be limited to 50% + 1 of the total investment and not exceeding R25 million; and
- Instruments limits are set to avoid excess concentration in any given financial investment instrument.

Overall the Group's main financial risk management objective is to ensure enhanced return within the risk profiles or parameters approved by the Board.

The ALM unit was not active during the reporting period, and activities associated with financial risk management were performed by the Company's wider finance department.

Fair value assumptions of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of foreign currency forward contracts is measured using quoted forward exchange rates and interest rate differential between local and foreign rates derived from quoted interest rates matching maturities of contracts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in the financial loss to the Group.

The Group's exposure to credit risk arises primarily from credit sales to its clients and money market investment activities. Credit risk is managed in terms of the Board approved Group treasury risk policy, which in turn encompasses comprehensive credit procedures, limits and governance structure. Formal credit ratings are utilized in the credit evaluation process of the counterparties.

The minimum credit ratings for counterparties are Fitch National Long-Term Rating 'A' and Fitch National Short term Rating 'F1' The credit quality of counterparties is monitored by the Group ALM function. The Group credit exposure is diversified across a range of acceptable counterparties and the maximum investment with any counterparty is limited to 25% of total investments. All counterparty limits are reviewed in line with the balance sheet growth and at least on an annual basis.

It is the responsibility of the Group ALM function to monitor compliance with the approved counterparty credit limits and any breach is reported to the monthly Group ALCO meeting.

All financial assets except for those that are measured at fair value through profit or loss are assessed to determine any evidence of impairment. Any deterioration in any counterparty credit rating is regarded as evidence of impairment. During the course of the year, there was no evidence of impairment observed in amortised cost financial assets and fair value through other comprehensive income (OCI) assets held by the group.

The group credit risk is considered to be limited because all its investment counter parties are major banks with high credit ratings and other investments are in Government and liquid corporate paper. The credit risk profile and quality of the group's investment counter parties is considered to be sound, well managed and commensurate with the risk appetite of the board.

Trade receivables

Trade receivables is exposed to credit risk due to the effect of macro-economic factors on the Group's customers.

The main identified macro-economic risks are those economic risks associated with the impact of COVID-19. The customers identified with a higher credit risk, are those customers with payments outstanding more than 120 days and the utilization of unused credit facilities.

Forward looking information considered was not determined to have a significant impact on the impairment allowance required to be recognised.

No significant changes in the inputs, assumptions and estimation techniques were noted.

Notes to the Consolidated and Separate Financial Statements

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

Group		2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Other financial assets	10	95 805	-	95 805	633 462	-	633 462
Trade and other receivables	14	146 294	(35 518)	110 776	221 546	(34 081)	187 465
Cash and cash equivalents	16	539 493	-	539 493	605 643	-	605 643
		781 592	**(35 518)**	**746 074**	**1 460 651**	**(34 081)**	**1 426 570**

Company		2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Other financial assets	10	95 805	-	95 805	633 462	-	633 462
Trade and other receivables	14	138 161	(32 252)	105 909	212 851	(30 704)	182 147
Cash and cash equivalents	16	516 464	-	516 464	580 174	-	580 174
		750 430	**(32 252)**	**718 178**	**1 426 487**	**(30 704)**	**1 395 783**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet both expected and unexpected current and future cashflow needs without negatively affecting either the daily operations or the financial condition of the Group.

The Group's exposure to liquidity risk arises mainly as a result of the following:

- Unexpected withdrawal of cash by Postbank clients;
- Daily working capital requirements; and
- The Group has signed contracts with third parties where its retail network is used as a collection agent for municipalities and other institutions. All contracts stipulate that funds collected for third parties are paid over to them after 24 hours.

Liquidity risk is managed in terms of the board approved treasury policy with appropriate dashboard liquidity risk profiles which are monitored by the Group's ALM function. The management of liquidity risk and particularly the Group's cash flows is strongly focused on the short to medium term to ensure that the Group ALM function and the Treasury are quick to respond to immediate cash flow requirements under different stress scenarios. On a quarterly basis, the Group ALM function performs behavioural and stress analyses to identify business as usual as well as potential stress cash flow requirements.

The Group manages its daily liquidity by having cash reserves on overnight call balances of at least R250 million and maintaining overdraft credit facilities with all the major banks. The Group ALM function monitors the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities of the banking division.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Consolidated and Separate Financial Statements

Group - 2023					
		Within one year	Two to 5 years	More than 5 years	Total
Liabilities					
Lease liability	4	194 856	156 590	23 806	**375 252**
Borrowings	20	-	215 869	-	**215 869**
Trade and other payables	23	9 490 888	-	-	**9 490 888**
Funds collected on behalf of third parties	27	669 017	-	-	**669 017**
		10 354 761	**372 459**	**23 806**	**10 751 026**

Group - 2022					
		Within one year	Two to 5 years	More than 5 years	Total
Liabilities					
Lease liabilities	4	393 282	184 858	16 793	**594 933**
Borrowings	20	-	207 897	-	**207 897**
Trade and other payables	23	8 349 363	-	-	**8 349 363**
Financial liabilities at amortised cost	24	24 969	-	-	**24 969**
Funds collected on behalf of third parties	27	467 893	-	-	**467 893**
		9 235 507	**392 755**	**16 793**	**9 645 055**

Notes to the Consolidated and Separate Financial Statements

Company - 2023					
		Within one year	Two to 5 years	More than 5 years	Total
Liabilities					
Lease liability	4	193 212	153 518	23 806	**370 536**
Borrowings	20	-	215 869	-	**215 869**
Trade and other payables	23	9 464 723	-	-	**9 464 723**
Funds collected on behalf of third parties	27	669 017	-	-	**669 017**
		10 326 952	**369 387**	**23 806**	**10 720 145**

Company - 2022					
		Within one year	Two to 5 years	More than 5 years	Total
Liabilities					
Lease liabilities	4	391 551	181 333	16 793	**589 677**
Borrowings	20	-	207 897	-	**207 897**
Trade and other payables	23	8 295 894	-	-	**8 295 894**
Financial liabilities at fair value	24	24 969	-	-	**24 969**
Funds collected on behalf of third parties	27	467 893	-	-	**467 893**
		9 180 307	**389 230**	**16 793**	**9 586 330**

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.

Notes to the Consolidated and Separate Financial Statements

Foreign currency exposure at the end of the reporting period

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Financial Assets:				
Euro	52	46	52	46
Special Drawing Rights	5 850	7 069	5 850	7 069
United States Dollar	1 578	1 081	1 578	1 081
Financial Liabilities:				
Euro	923	923	923	923
New Zealand Dollar	191	191	191	191
Special Drawing Rights	5 539	5 819	5 539	5 819
Swiss Franc	3	3	3	3
United States Dollar	-	2	-	2
Current assets				
Trade and other receivables	171 080	158 050	171 080	158 050
Current liabilities:				
Trade and other payables	154 468	156 441	154 468	156 441

At year-end, the Group's net income at risk from foreign exposure arose from the net asset currency position. A depreciation of 1% in the exchange rate would result in R16.7 million foreign currency gain for the Group (2022: R0.1250 million currency gain).

Interest rate risk

Appropriate interest rate risk dashboard indicators are compiled to provide the ALCO members with the necessary interest rate risk information on a monthly basis, including a measure of compliance with approved limits and benchmarks.

Cash flow interest rate risk

The table below 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:	10 730	10 637	10 723	10 632
1% decrease in interest rates:	(10 730)	(10 637)	(10 723)	(10 632)

Notes to the Consolidated and Separate Financial Statements

45. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities – Group 2023						
	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	594 933	62 210	197 675	259 885	(479 566)	375 252
Financial liabilities at amortised cost	24 969	-	-	-	(24 969)	-
Total liabilities from financing activities	**619 902**	**62 210**	**197 675**	**259 885**	**(504 535)**	**375 252**

Reconciliation of liabilities arising from financing activities – Group 2022						
	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Lease liabilities	1 176 184	86 939	109 846	196 785	(778 036)	594 933
Financial liabilities at amortised cost	152 097	-	-	-	(127 128)	24 969
Total liabilities from financing activities	**1 328 281**	**86 939**	**109 846**	**196 785**	**(905 164)**	**619 902**

Notes to the Consolidated and Separate Financial Statements

Reconciliation of liabilities arising from financing activities - Company 2023						
	Opening balance	**New leases**	**Other non-cash movements**	**Total non-cash movements**	**Cash flows**	**Closing balance**
Lease liabilities	589 677	62 210	197 482	259 692	(478 833)	370 536
Financial liabilities at amortised cost	24 969	-	-	-	(24 969)	-
Total liabilities from financing activities	**614 646**	**62 210**	**197 482**	**259 692**	**(503 802)**	**370 536**

Reconciliation of liabilities arising from financing activities - Company 2022						
	Opening balance	**New leases**	**Other non-cash movements**	**Total non-cash movements**	**Cash flows**	**Closing balance**
Lease liabilities	1 173 671	82 512	109 513	192 025	(776 019)	589 677
Financial liabilities at amortised cost	152 097	-	-	-	(127 128)	24 969
Total liabilities from financing activities	**1 325 768**	**82 512**	**109 513**	**192 025**	**(903 147)**	**614 646**

46. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Notes to the Consolidated and Separate Financial Statements

Reconciliation of assets and liabilities measured at level 3

Group & Company - 2023

	Note(s)	Opening balance	Gains (losses) recognised in other comprehensive income	Closing balance
Assets				
Heritage assets				
Works of art	6	7 697	-	7 697
Stamps		36 348	-	36 348
Documents		259	-	259
Philatelic stationery		510	-	510
Other assets		1 433	-	1 433
Total heritage assets		46 247	-	46 247
Equity investments at fair value through other comprehensive income	10			
Unlisted shares		129 986	(35 654)	94 332
Total		**176 233**	**(35 654)**	**140 579**

Group & Company - 2022

		Opening balance	Gains (losses) recognised in other comprehensive income	Closing balance
Assets				
Heritage assets				
Works of art	6	7 697	-	7 697
Stamps		36 348	-	36 348
Documents		259	-	259
Philatelic stationery		510	-	510
Other assets		1 433	-	1 433
Total heritage assets		**46 247**	**-**	**46 247**
Equity investments at fair value through other comprehensive income				
Unlisted shares	10	133 639	(3 653)	129 986
Total		**179 886**	**(3 653)**	**176 233**

Gains and losses recognised in profit or loss are included in Other income on the Statement of Comprehensive Income, except for gains and losses on financial assets and liabilities which have been included in fair value adjustments.

Gains and losses recognised in other comprehensive income are included in Gains and losses on property revaluation.

Notes to the Consolidated and Separate Financial Statements

47. Commitments

Authorised capital expenditure

Capital expenditure authorised by the board of directors at reporting date, but not yet recognised in the annual financial statements are as follows:

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Already contracted for but not provided for				
Property, plant and equipment	34 001	38 368	34 001	38 368
Intangible assets	5 538	5 659	5 538	5 659
Total commitments	**39 539**	**44 027**	**39 539**	**44 027**

Capital commitments treatment

Capital commitments are disclosed in respect of contracted amounts for which delivery is outstanding at the accounting date, as well as the amount of contractual commitments for the acquisition of property, plant and equipment.

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

These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of comprehensive income, but are however disclosed as part of the disclosure notes.

Management expects these capital commitments to be financed from internally generated cash and other borrowings.

Notes to the Consolidated and Separate Financial Statements

48. Contingencies

Contingent liabilities				
	Group		**Company**	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
The following contingent liabilities were identified:				
Civil and Service providers	729 427	642 273	720 080	632 960
Labour cases	-	1 323	-	1 323
Total contingent liabilities	**729 427**	**643 596**	**720 080**	**634 283**

Civil and Service providers

Various proceedings were instituted against the SAPO Group during 2023 and the previous financial years. The amounts being claimed from the SAPO Group total approximately R729 million (2022: R644 million). The company's legal advisors believe that the company has reasonable defences against the claims and that the probability of loss will be minimal. Accordingly, no provision has been made in the annual financial statements with regard to these cases.

Included above are the following individually material claims:

1. An amount R494 million (2022: R494 million) being an alleged claim against South African Post Office for provisioning of infrastructure.
2. The Group also incurred various minor claims, the nature of these cases include amongst others the claims against SAPO relating to lost parcels, motor vehicle accident claims by third parties and damages suffered by service providers for late payment of invoices by the South African Post Office for services rendered or goods delivered.

South African Post Office is insured for motor vehicle accidents and thus these possible liabilities will be reimbursed by the insurance Company.

Contingent assets				
Civil claims	15 157	14 892	12 616	12 351

Civil claims

The contingent assets include various cases were SAPO is a plaintiff. The nature of the cases include amongst others the motor vehicle accident claims, employee's fraud etc. These matters remain contingent as the probabilities of successfully defending the cases remains uncertain.

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49. Going concern

The SA Post Office is a State-Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas, including rural areas and small towns within the Republic of South Africa. The Post Office infrastructure and Post Office branch network exists to render these Universal Postal Services that all citizens are entitled to.

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

Material uncertainty

The conditions noted below resulted in a material uncertainty that might cast significant doubt on SAPO's ability to continue as a going concern:

- Pending legal or regulatory proceedings against the Company exist that, if successful, may result in claims the Company is unlikely to have the means to meet. On 09 February 2023, a judgement was issued to place SAPO under provisional liquidation which led to a Provisional Liquidator being appointed on 30 March 2023.
- The Company was subsequently placed under business rescue on 10 July 2023 by the North Gauteng Division of the High Court of South Africa. Mr Anooshkumar Rooplal and Mr Juanito Martin Damons were appointed as joint interim business rescue practitioners in respect of the business rescue proceedings subject to approval by the Registrar of Financial Services and ratification by the majority of SAPO's creditors. Approval was obtained from the DSCA on 14 July 2023, and the joint BRP's appointment was ratified at a meeting of creditors in terms of section 147 of the Companies Act 71 of 2008 on 24 July 2023.
- The impact of the business rescue cannot yet be quantified, as management awaits the adoption of the business rescue plan in terms of section 152 of the Companies Act.
- The Company gave notice to Communications Worker Union (CWU), South African Postal Workers Union (SAPWU) and non-unionised employees in terms of Section 189 and 189(a) of the Labour Relations Act 66 of 1995, communicating possible dismissal of 6,000 of its 12,600 total employees due to operational requirements.
- The Group recognised recurring losses of R2 162 million and R2 235 million for the years ended 31 March 2023 and 31 March 2022 respectively, as disclosed in the statement of comprehensive income.
- As at the reporting date, the Group was in net liability financial position, with total liabilities exceeding total assets by R7 479 million (2022: R5 250 million) and current liabilities exceeding current assets by R9 740 million (2022: R7 856 million). This is reflected adversely in key financial ratios including the Group's gearing ratio, which stood at 2.69% (2022: 1.82%) on the reporting date.
- Instances of late payments to commercial and statutory creditors have occurred, and the ability of the Group to comply with agreements is constrained.
- The Group experienced negative operating cash flows in the current financial year. These circumstances are projected to persist over the next twelve months.
- The Group has suffered limited ability to obtain financing for essential operational and strategic initiatives.
- The Group has experienced loss of key management without replacement.

The ability of the Group to execute its strategy to continue as a going concern is dependent on continued financial support from Government (discussed below).

Mitigating conditions: Shareholder's Intent

The SA Post Office is a State-Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas within the Republic of South Africa, including rural localities and small towns. SAPO's ongoing mandate to distribute social grants on behalf of SASSA is indicative of government's view of SAPO's role as integral to fulfilling the delivery of such government services in the foreseeable future.

SAPO's current duties include the provision of significant government services (such as distribution of grants and the delivery of Digital Terrestrial Television set-top boxes) that have social impact. In catering for communities low-income and rural that are underserved by commercial operators, SAPO's activities also alleviate critical market failures that, given their nature, are largely beyond the reach of the private sector to address.

Management current understanding of SAPO's status is that there is no intention from the Department/Ministry (as shareholder representative) and the Board to liquidate SAPO

Notes to the Consolidated and Separate Financial Statements

or to cease its operations. The support of the shareholder for SAPO to continue operating is demonstrated by the fact that National Treasury has granted, in the 2022 financial year, MTEF Funding of R1,6 billion allocated to fund the public service mandate for the 2022/24 to 2025/26 financial years, and a further R2,4 billion second adjustment appropriation.

As communicated by the Minister to Parliament on 03 May 2023:

"The Cabinet has already approved the Post Office of Tomorrow Strategy which reviews SAPO's operating model to restructure it in such a way that it can operate as a sustainable, productive and efficient entity. It thus eliminates organisational duplications and inefficiencies by restructuring the organisation in such a way that the entity is positioned to become a modern, sustainable entity over the short to medium term.

The priority focus areas of the Post Office of Tomorrow strategy include repositioning the entity to become:

- A Leading Logistic Service Provider for South Africa and region;
- A Logistic service partner to other e- commerce and logistics players, including SMMEs and informal traders nationally and internationally based on its expansive postal network;
- An e-Commerce hub for South Africa and the region;
- Business digital hubs that also serve as digital hubs for communities; and
- Designated Authentication Authority that also fulfils its role as a national Trust Centre in the age of digital identity and services.

To give effect to the Post Office of Tomorrow Strategy, the Department has already embarked on the amendments to the SAPO Act and as such the SAPO Amendment Bill has already been introduced in Parliament for processing.

Government's main objective is to ensure that this entity is repositioned, modernised, and continues to serve the millions of South Africans it has been serving over the past 200 years." As reported here today and to the Portfolio Committee earlier in the week, much of the spade work has already been done and we are in the process of laying the bricks towards activating the Post Of the Future."

Based on the above, management is of the opinion that the going concern assumption adopted is appropriate under the circumstances.

50. Fruitless and wasteful expenditure and Irregular expenditure

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Fruitless and Wasteful expenditure	153 069	217 552	153 018	217 581
Irregular expenditure	155 958	567 059	155 159	566 273
	309 027	**784 611**	**308 177**	**783 854**

51. Material losses due to criminal conduct

	Group		Company	
Figures in Rand thousand	**2023**	**2022**	**2023**	**2022**
Fraud and Theft				
Incidents recorded during the year	138 080	105 243	138 080	105 243
Adjustments for:				
Results of prior-year Investigations	-	12 295	-	12 295
concluded/conducted in the current year				
	138 080	**117 538**	**138 080**	**117 538**

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The South African Post Office (SOC) Limited considers losses of R32 million and above to be material. There has been no single incident in the financial year where the materiality threshold was breached.

52. Events after the reporting period

The Company was placed under business rescue on 10 July 2023 by the North Gauteng Division of the High Court of South Africa in terms of the section 128 of the Companies Act of South Africa, no 78 of 2008. Mr Anooshkumar Rooplal and Mr Juanito Martin Damons were appointed as joint interim business rescue practitioners in respect of the business rescue proceedings subject to approval by the Registrar of Financial Services and ratification by the majority of SAPO's creditors. Approval was obtained from the FSCA on 14 July 2023, and the joint BRP's appointment was ratified at a meeting of creditors in terms of section 147 of the Companies Act 71 of 2008 on 24 July 2023.

The impact of the business rescue cannot yet be quantified, as management awaits the adoption of the business rescue plan in terms of section 152 of the Companies Act.

Other than the above, the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

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