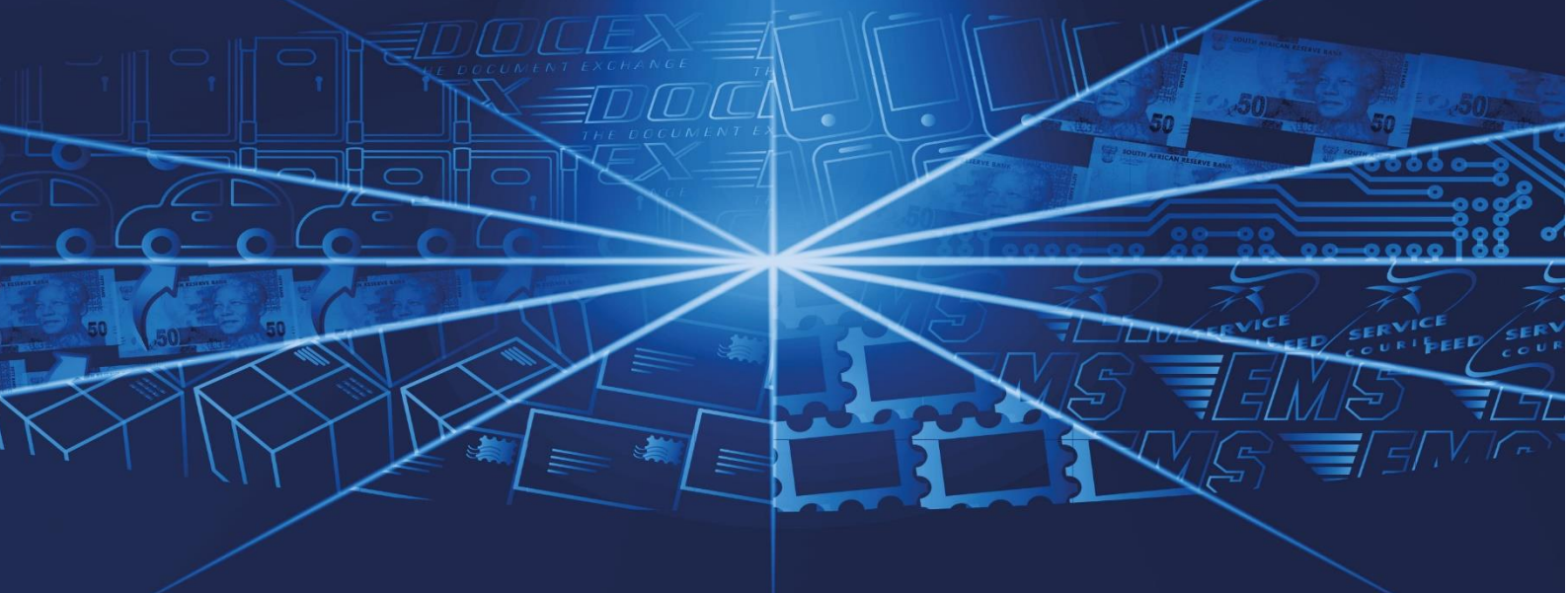




South African Post Office Corporate Plan 2023/24 – 2025/26

***Building the Post
Office of Tomorrow***



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
E-mail 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 of South Africa
Company Secretary	Mr Dawood Dada, (ACIS)

OFFICIAL SIGN OFF

It is hereby certified that this Corporate Plan:

- was developed by the management of the South African Post Office under the guidance of the Chairperson of the Board of Directors, representing the Accounting Authority;
- takes into account all the relevant policies, legislation and other mandates for which the South African Post Office is responsible;
- Accurately reflects the outcome-oriented goals and objectives which the South African Post Office will endeavour to achieve over three years from FY2023/24 to FY2025/26.

It is hereby certified that this Annual Performance Plan:

- was developed by the management of the South African Post Office under the guidance of the Chairperson of the Board of Directors, representing the Accounting Authority;
- was prepared in line with the current Corporate Plan of the South African Post Office;
- Accurately reflects the performance targets which the South African Post Office will endeavour to achieve for the FY2023/24 financial year and medium-term.

SA Post Office

Group CEO:

Nomkhita Mona (Ms)

Signature:



Date: 6 March 2023

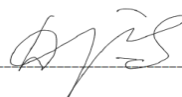
Interim Chairperson of the

SA Post Office Board of

Directors:

Sipho Majombozi (Mr)

Signature:



Date:

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1. INTERIM CHAIRPERSON OF THE BOARD

Globally, the postal industry is at a crossroad as its traditional business is replaced by electronic forms of communication. There is also fierce competition for all products and services offered by postal operators, to the extent that postal operators have to reconsider their strategic advantage.

Economic uncertainty has now replaced the COVID-19 pandemic as the major challenge facing the postal industry, whilst eCommerce and digital migration have continued to shift postal volume demands.

Amid an economic recovery in 2021, and as the worst effects of the pandemic began to fade, postal industry revenue grew by 5.75%. The growth in revenue has been fuelled by eCommerce, as soaring B2C volumes and sector acquisitions saw parcel revenue rise by 17%, representing a 7.7% volume increase.

Globally, mail revenue increased marginally, with postal rate increases and a partial recovery in business mail volumes boosting performance for some postal operators. On average, mail volumes decreased by 6.9%. Average revenue growth for postal operators accelerated to 3.9%, up from 1.2% in 2020.

The trend of revenue growth has not been mirrored at the SA Post Office, rather, there has been a continued decline in revenue performance. All revenue lines have continued to decline, owing to a number of factors, internal and external, with declining letter volumes driving the continued decline in revenue, worsened by a lack of modernisation and digitalisation, technology and infrastructure investment, tools of trade, and compounded by an unsustainable cost base.

Consequently, the Post Office of Tomorrow turnaround strategy was developed, setting the foundation for the 2023-2026 Corporate Plans - and is foreseen to do so for the medium to long-term.

Central to the Post Office of Tomorrow turnaround strategy is the firm conviction that the SA Post Office fulfils an essential function within the South African society and its communities, a function which would be difficult, if not impossible, to replicate.

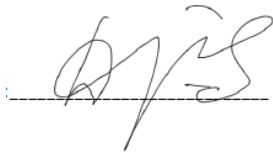
To date, the implementation of the Post Office of Tomorrow turnaround strategy has remained severely challenged in view of the unavailability of funding for a number of key projects and initiatives which underpin the strategy.

During the budget speech by the Minister of Finance, Mr Enoch Godongwana, on 22 February 2023, it was announced that the SA Post Office will receive a funding allocation of R2.4bn. This will be applied towards the implementation of the Post Office of Tomorrow turnaround strategy.

The SA Post Office is a state owned entity and it is natural that its partnership with government, and its support of government projects and goals, will continue and strengthen. The strategy seeks to build on this partnership and to expand on government services delivered, serving as delivery partner to all state owned entities.

The successful implementation of the Post Office to Tomorrow Turnaround Strategy can only be achieved with the support of all relevant stakeholders in Government.

We wish to express our immense gratitude to the Minister of Communication and Digital Technologies, Ms Khumbudzo Ntshavheni, and the Department for support and guidance.

A handwritten signature in black ink, appearing to read 'Sipho', is written over a horizontal line.

Sipho Majombozi (Mr)

Interim Chairperson of the Board

2. GROUP CHIEF EXECUTIVE OFFICER

The postal industry has probably experienced more change over the past two decades than almost any other industry. The viability of the postal system was based on huge volumes of low-profit items – letters – and a large number of workers, sorting and delivering that mail.

Electronic mail has largely replaced letter mail, while international eCommerce has grown rapidly - but so has the competition from the private sector for this market.

The postal services sector is a significant market in South Africa, contributing 3.16% to the GDP.

Much of the SA Post Office's traditional market, including the reserved postal services - where the reserved postal services include letters, postcards, printed matter, small parcels and other postal articles, issuing of postage stamps and the provision of roadside collection and address boxes - has been eroded by the private sector.

However, unlike the private sector, the SA Post Office is required by law to provide a universally accessible and affordable service to all communities, irrespective of location.

Declining letter volumes have driven a continued decline in revenue, worsened by a lack of modernisation and digitalisation, technology and infrastructure investment, tools of trade, compounded by an unsustainable cost base.

The Post Office of Tomorrow turnaround strategy seeks to leverage the strengths and advantages of the SA Post Office, whilst addressing its shortcomings. Products and services of the SA Post Office must be modernised, have relevance to the society it serves and be easily accessible.

Modernisation and digitisation is a key focus area, and includes supporting Government's drive to provide communities with access to online transactions by using SA Post Office branches as points of access.

I am encouraged by the findings of a study commissioned by the Department of Communication and Digital Technologies, the Postal Services Sector Market Study (December 2022), which confirms that the SA Post Office remains an essential operator, particularly to citizens living in rural and underserved communities who continue to rely on it for the provision of affordable postal services.

The findings of the study also confirm that the strategic direction the Post Office of Tomorrow turnaround strategy has taken, is the correct one. The implementation will not be easy, there are numerous organisational challenges that lie ahead, however with the funding allocation that was announced by the Minister of Finance, Mr Enoch

Godongwana, on 22 February 2023, the implementation of the strategy can finally commence.

I would like to thank the Minister of Communication and Digital Technologies, Ms Khumbudzo Ntshavheni, and the Department for their unwavering support. Our gratitude also goes to the SA Post Office Board, Executive team and staff.



Nomkhitha Mona (Ms)

Group Chief Executive Officer

3. THE SA POST OFFICE

3.1 MANDATE, REGULATIONS AND LICENSE

As per the Companies Act, No. 61 of 1973, the South African Post Office SOC Limited is a public company established on 1 October 1991. Schedule 2 entity of the Public Finance Management Act No. 1 of 1999 classifies the SA Post Office as a major state entity. While the South African Post Office Limited Act No. 22 of 2011 designates the entity as a state-owned company (SOC). The South African Government is the sole shareholder of the SA Post Office and is overseen on its behalf by the Minister of Communications and Digital Technologies.

Regulation and Mandate

The Postal Services Act, no 124 of 1998:

1. Describes the scope of the postal service.
2. Provides for the regulation of the Postal sector.
3. Identifies the South African Post Office as the nation's designated postal operator.

The Independent Communications Authority of South Africa (ICASA) is responsible for regulating the postal services sector. In August 2001, ICASA issued a license to the SA Post Office and, via this license agreement, is afforded a legislated monopoly over reserved postal services. This license is valid for 25 years and is reviewed every three years by ICASA.

The Postal sector consists of two areas, namely, the reserved and unreserved areas. The South African Postal Universal Service Obligation (USO) defines the boundaries of the postal sector's reserved area (Postal Act, No 124 of 1998, Schedule 2). The SA Post Office is the only entity licensed to operate within the reserved area and is regarded as South Africa's Designated Postal Operator.

In contrast, the unreserved area allows for open competition whereby the SA Post Office competes directly with commercial courier operators for market share and volume in this postal sector segment. The unreserved area is highly competitive, making the role of ICASA pivotal to regulate anti-competitive behaviour within this segment and monitoring encroachment into the reserved area by non-licensed operators.

The Postal Universal Service Obligation

The Universal Service Obligation (USO) is a public policy serving as the mission statement for a country's postal system. The USO establishes the requirements for a reliable postal service at affordable rates to all citizens. The South African postal universal service obligation includes the national availability of postal services, frequency and reliability of delivery, management of a national address database and provision of affordable postal products and services at acceptable standards. The adequate provision of the USO requires the SA Post Office to provide the resources and infrastructure necessary to deliver its mandate to all communities reliably. The government currently funds the USO via yearly budget allocations that ensure service delivery to rural and under-serviced communities.

Legislative and Governance Framework

The SA Post Office complies with and legislation that governs State-Owned Companies. To this end, various postal, courier and financial regulations laid down by different regulatory bodies such as ICASA, the Financial Intelligence Centre (FIC) and the Financial Sector Conduct Authority (FSCA) guide the SA Post Office business activities.

The SA Post Office Group complies with, amongst others, the following legislation:

- 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.11 of 1999 (as amended);
- Companies Act No. 71 of 2008 (as amended);
- Relevant legislation applicable to the postal sector and SOCs;
- King IV Code on Good Corporate Governance;
- Other relevant local and international codes for the postal sector; and

3.2 VISION, MISSION AND VALUES

Vision

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

Mission

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

Values

Accountability	<ul style="list-style-type: none"> Personal responsibility, honouring commitments to our customers and fellow employees
Respect	<ul style="list-style-type: none"> Treat customers and fellow employees with courtesy, politeness, and kindness
Trust	<ul style="list-style-type: none"> Confidence in the integrity, reliability and fairness of the SA Post Office by our customers and employees.
Innovation	<ul style="list-style-type: none"> Transforming new ideas into tangible results
Excellence	<ul style="list-style-type: none"> Commitment to being the best and delivering the best

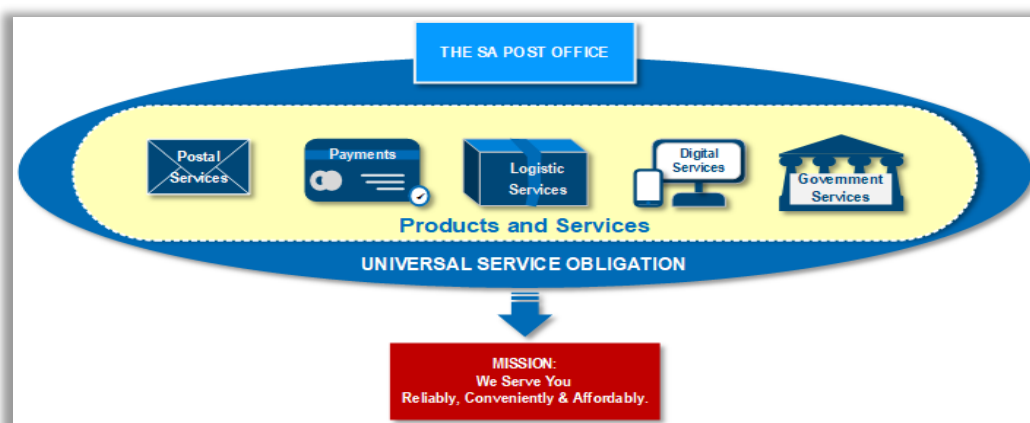
3.3 CUSTOMER VALUE PROPOSITION AND MARKET POSITIONING

Customer Value Proposition

As one of the most recognized brands in South Africa, the SA Post Office is regarded as a public good and is an essential infrastructure to the economy. It is a critical socio-economic vehicle that ensures the right to communication by facilitating the exchange of messages, the transportation of parcels and transmission of money.

Particular attention will be paid to regaining the trust of customers and stakeholders. Therefore, the SA Post Office will ensure a higher quality of service delivery and significantly strengthen its competitiveness in all markets where it operates.

Figure 3.1: The SA Post Office Services Portfolio



There are five value attributes that comprise the SA Post Office Customer Value Proposition. Of these, Trust and Price are the dominant attributes driving customer loyalty to the SA Post Office brand. Trust assures that all customer information, transactional data and mail items are handled ethically, securely and delivered safely. At the same time, Price drives the assurance that products/services are priced affordably and are of acceptable quality. While convenience ensures the ease of accessing the organization's products and services. While the attributes of reach and reliability provides for the delivery of service in-full, on-time to almost any address, locally and internationally. The table below outlines the customer's key expectations which are aligned to the SA Post Office CVP value attributes.

Table 3.1: The SA Post Office Value Attributes

Value Proposition Attributes	
Convenience	<ul style="list-style-type: none"> • Easy access to simple and easy-to-use products and services.
Value	<ul style="list-style-type: none"> • Relevant products and services of quality and price which fulfil the needs and expectations of customers.
Trust	<ul style="list-style-type: none"> • Secure and safe handling of physical items and electronic data whilst maintaining customer privacy throughout the collection and delivery process.
Reliability	<ul style="list-style-type: none"> • Reliable, consistent, and speedy service.
Reach	<ul style="list-style-type: none"> • The availability of a point of presence network that is a convenient distance from home, work, and social environments. • Ensuring availability of the postal network in rural and outlying areas.

3.4 ALIGNMENT TO SHAREHOLDER STRATEGY

The National Development Plan (NDP) is the South African government's long-term national strategy. The NDP aims to raise the living standards of South Africans by increasing employment, incomes and productivity through social protection and the provision of quality public services. The Department of Communications and Digital Technologies (DCDT) has aligned its strategy to the National Development Plan 2030 (NDP).

Specifically, the DCDT strategy aims to create a South Africa where digitally enabled citizens have secure and affordable universal access to digital services and technologies. To this end, the mission of the DCDT is to lead South Africa's digital transformation towards this goal, which is to ensure that all citizens' benefit from South Africa's growing digital economy. The inclusive digital transformation journey will seek to create an enabling environment towards achieving a digital society that will foster socio-economic growth.

Having aligned its Corporate Plan to the DCDT strategy, the SA Post Office is well-positioned to contribute to the strategic objectives articulated in the DCDT Strategic Plan (FY2020-2025) (see Table 3-2 below). The SA Post Office will leverage the strengths of the DCDT's SOC entities through collaboration to develop and launch services that improve the lives of all South Africans. The support of the DCDT and cooperation with other SOC's reporting to the DCDT ensures that the SA Post Office becomes more competitive and is well-positioned to be a market leader across its product portfolios.

Therefore, the SA Post Office aims to modernize its infrastructure to increase access to secure digital infrastructure. At the same time, having a point of presence in most communities' means that the organization is well placed in harnessing access to government services to all citizens. Table 3-1 overleaf provides additional SA Post Office contributions towards DCDT strategic objectives below:

Table 3.2: DCDT/SA Post Office Alignment

The Department of Communications and Digital Technologies Strategy FY2020- FY2025		SA Post Office
Outcome	Outputs	
Enabling Digital transformation policies and strategies	Submission of the South African Post Office SOC Ltd Amendment Bill to Cabinet for approval.	Review and expansion of the South African Post Office Act (2011).
	Facilitation and monitoring of the implementation of revised ICT SMME Development Strategy	Development of SMMEs through the implementation of the SA Post Office digital strategy.
Increased access to secure Digital Infrastructure	Monitoring and sustaining provision of Broadband services to 970 connected sites	Provision of physical sites and/or infrastructure for installation of broadband infrastructure.
	Coordination and monitoring of subsidized digital television installations in four (4) provinces (Free State, Northern Cape, North West and Limpopo)	Rollout of the remaining STB kits to facilitate ASO
	Coordination and monitoring of the distribution of subsidized DTT vouchers	
Transformed digital society	Facilitation, monitoring and reporting of the revised National e-Government Strategy and Roadmap, in line with the Presidency review report on e-	Increase digital and physical access to government services in all communities

The Department of Communications and Digital Technologies Strategy FY2020- FY2025		SA Post Office
Outcome	Outputs	
	Government and the PC4IR recommendations.	
	Facilitation and monitoring of the implementation of the Digital and Future Skills Programme.	Finalize the Enterprise Application Platform and Digital modernization initiatives.
High Performing Portfolio to enable achievement of their respective mandates	Development and implementation of a Workplace Skills Plan (WSP), aligned to DCDT mandate.	Development and implementation of workplace skills plan aligned and directed towards attaining Post Office of Tomorrow. Training of staff in digital technologies.
	100% of valid invoices paid within 30 days from date of receipt.	Payment of valid invoices within 30 days from date of receipt. Communication plan for suppliers to address payment delays. Reduction in Fruitless and Wasteful expenditure.
	Monitoring of service delivery performance and compliance of SOEs against strategic plans and relevant prescripts.	Monitoring of organizational performance and compliance against Annual Performance Plan targets. Implementation of remedial action where required.

The Department of Communications and Digital Technologies Strategy FY2020- FY2025		SA Post Office
Outcome	Outputs	
	Monitoring and evaluating Departmental and SOCs Gender, Disability, Youth and Children (GDYC) Responsiveness Planning and Budgeting approach.	Gender, Disability, Youth and Children advancement within the South African Post Office.

4. SITUATIONAL ANALYSIS

4.1 GLOBAL POSTAL TRENDS

Economic uncertainty has now replaced the COVID-19 pandemic as the major challenge facing the postal industry, whilst eCommerce and digital migration have continued to shift postal volume demands.[†]

Amid an economic recovery in 2021, and as the worst effects of the pandemic began to fade, postal industry revenue grew by 5.75%. The growth in revenue has been fuelled by eCommerce, as soaring B2C volumes and sector acquisitions saw parcel revenue rise by 17%, representing a 7.7% volume increase.[†]

Mail revenue increased marginally, with postal rate increases and a partial recovery in business mail volumes boosting performance for some postal operators. On average, mail volumes decreased by 6.9%. Average revenue growth for postal operators accelerated to 3.9%, up from 1.2% in 2020.[†]

Stronger revenue performance, together with increased network efficiency, assisted postal operators to offset set rising staff and transport costs. More than 50% of postal operators reported an operating profit for 2021, with the average EBIT margin improving to 0.8%. Strong parcels revenue boosted cash inflows, while industry capital expenditure fell in 2021; Capex as a percentage of revenue dipped to 4.3% as many postal operators reduced Capex spending amid the pandemic and an uncertain economic outlook.[†]

As digital migration and e substitution continued to drive down mail volumes, postal operators have continued to strengthen their efforts to diversify revenue: approximately 75% of postal operators' revenue was generated from non-mail related services. Diversification still varies widely across the industry: the traditional mail share of revenue ranged from 9% to above 90% at certain postal operators, with highly diversified postal operators continuing to outperform their less-diversified peers on average.

There has been a continued and accelerated transformation across the entire postal - and courier industry, by rolling out technology which has been rapidly adopted by consumers seeking more convenience, choice, and safety.

[†] IPC, Global Postal Industry Report, 2022.

Four key global postal trends are in evidence:

- Transformation

Postal operators are placing more focus, particularly to supporting the delivery side of operations. Due to the rapid growth in eCommerce, postal operators will continue to leverage their country-wide retail network to support delivery and alleviate capacity constraints.[†]

- Focus on the last mile

There is intense competition for the last mile delivery infrastructure, and it is foreseen to get stronger going forward. The growth in eCommerce is not projected to slow, with customers becoming accustomed to near instant delivery. Postal operators that are able to leverage their reach and provide the right offering in a cost-effective manner to grocery, retailers, and eCommerce providers will benefit immensely.[†]

- Automation

As smaller delivery warehouses come into operation, the use of automation for last mile delivery will continue to rise. Smaller delivery hubs make delivery much simpler, more manageable, and much faster. Automation in postal operators will therefor continue to grow.[†]

- Environment and Sustainability

To ensure that the impact of accelerated delivery on the environment is minimised and to improve sustainability, the optimising of delivery routes is critical, as well as offering more out-of-home delivery options to customers to minimise the number of individual delivery truck stops and general time on the road. It is important to ensure that postal delivery employees are equipped with the right mobile devices and software, in order for them to conclude more transactions and even manage additional services whilst on their regular delivery routes, thereby consolidating multiple trips into one.[†]

4.2 SOUTH AFRICAN POSTAL MARKET

Prior to the Covid-19 pandemic, the South African economy was already vulnerable and facing significant socio-economic challenges related to unemployment, inequality, poverty, declining investment and stagnating economic growth. However, during the Covid-19 pandemic, the considerable depth of these challenges was brought to the fore.

[†] Source: Escher, The Future of Posts, 2022.

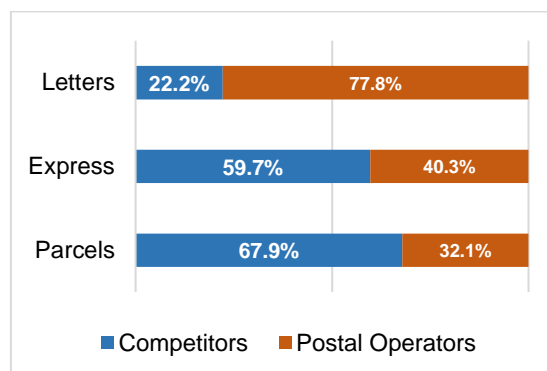
The South African Reserve Bank (SARB) has advised that the crisis's economic effects are extensive and that recovery to pre-pandemic levels may take several years. The SARB reduced its 2023 growth forecast for South Africa to 0.3% from 1.1%. Its 2024 and 2025 forecasts are also lowered notably, to 0.7% (from 1.4%) and 1.0% (from 1.5%), respectively.

The reason for the downward revision, is the scale and extended duration of load shedding and the associated business slowdown. The postal services sector is a significant market in South Africa, contributing 3.16% to South Africa's GDP.

Figure 4-1 below indicates the global average market share (2018 to 2020) of designated postal operator's (DPOs) market by business segment. The letter-post market is currently dominated by DPOs. Due to their strategic position as the primary postal service, designated postal operators (DPOs) control the bulk of the domestic letter-post market. In Africa, DPOs control on average 73.4% of the letter-post market.

The parcel-post market also has stronger competition, with DPOs having a lower market share at 32.1% compared to competitors with 67.9% of the market. In Africa, the postal operators have a lower percentage than the global average at 19.5%. The express deliveries of documents and goods are similar to the parcel-post, in that postal operators have a 40.3% share of the market. At the same time, competitors control the rest of the express market at 59.7%. In summary, DPO's tend to have a greater share of the letter-post market than the parcel and express markets.

Figure 4-1: Postal Operator Average Market Share. UPU, 2021

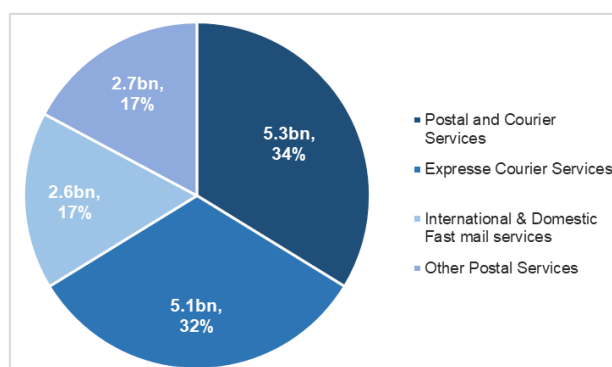


STATS SA (2019) indicates that the South African Postal and Courier market is valued at R15.7bn. The Postal Services Sector Market Study (DCDT, 2022) values the postal services sector between R15bn and R20bn and has shown consistent growth over the past three years. The market has grown at a 5 year CAGR of 3.7%. Consistent growth has been evident from 2019 onwards.

Assuming a market size of R15.7 billion as per STATS SA (2019), the largest contribution to the total market is the postal and courier services segment at R5.3 billion, followed by the same-day and next-day delivery segment at R5.1bn. The third

highest contributor at R2.6bn is generated by International, Domestic and fast mail services. These three services collectively comprise 83.7% (13bn) of the total market (Fig 4-2).

Figure 4-2: Postal Market Revenue Segmentation



The Postal Services Sector Market Study (DCDT, 2022) confirms that the market is competitive and nuanced; it is comprised of the SA Post Office and numerous private sector operators that have focused on specific elements/points of the postal value chain. The market is also constantly evolving due to ever-changing consumer needs and technological advancements.

The Postal Services Sector Market Study (DCDT, 2022) further found that metropolitan customers perceive the SA Post Office as being easily accessible, having a diverse range of services and being the best option for domestic parcels. This can be attributed to SA Post Office's delivery infrastructure and relatively low prices compared to its private sector peers.

Urban customers also view the SA Post Office as a leader across all measured attributes, thus making SA Post Office their preferred service operator over private sector operators. Additionally, research further indicates that the SA Post Office is the outright leader, mainly when measured on price, which is a major factor for this customer segment. It also finds that whilst there is much to be done to improve the SA Post Office in terms of service delivery, technology advancements and operational efficiency, it remains a relevant organisation to most customer segments, irrespective of where they reside.

Accordingly, the study further found that although the usage of private operators is high, the SA Post Office remains an essential operator in the market as consumers living in rural and underserved communities still rely on the SA Post Office for the provision of basic postal services at an affordable rate.

Table 4.1 below provides a segmented view of the Postal Market. The table also reflects a benchmark comparison of the SA Post Office revenue by market segment.

Table 4-1: Postal Market Size. Source. Stats SA, 2019

	2016		2019		Market Growth Trends	
	Rmillion	% Contribution	Rmillion	% Contribution	Rmillion	% Contribution
International, domestic and fast mail services	2 218	19.7%	2 602	18.3%	384	15%
Box rental services	273	2.4%	338	2.4%	65	19%
Agency services (e.g. municipal, Telkom, pre-paid, lotto, game cards, media services)	583	5.2%	721	5.1%	138	19%
Same-day and next-day/overnight delivery services	4 271	37.9%	5 186	36.5%	915	18%
Other postal and courier services	3 924	34.8%	5 365	37.7%	1 441	27%
Total Market Size (excluding Postbank)	11 269	100.0%	14 212	100.0%	2 943	20%
Post bank and other postal services, including document exchange	1 232		1 497		265	18%

Within the **postal sector**, electronic substitution remains the most significant threat to physical mail. Encroachment into the reserved areas needs to be addressed by enhancing the regulation of the reserved area. The increasing pressure to reduce operating costs is driving the trend of remailing, whereby large mailers use international mail streams, which tend to be cheaper than domestic channels. Operational efficiency is the highest priority of most postal operators to increase the profit margin. Mail automation, postal sorting and delivery optimization, and the application of lean management principles, amongst others, drive profitability strategies of the industry. Globally, the cost to service the Universal Service Obligation remains a significant cost driver for Postal Operators.

The **Courier, Express and Parcel sector (CEP)** sector is a highly competitive environment comprising many operators in the sector. As this industry is a high volume, low-profit sector, operational efficiency and innovative technologies are critical success factors for business longevity. In addition, the South African e-Commerce market is an emerging economy segment and is the primary driver of the growing demand for delivery services.

To adequately service this demand, operators maximise efficiencies, strengthening customer trust through flexible and convenient on-time delivery standards and options are key focus areas for all operators in the industry. In addition, collaboration and partnership between transport technology suppliers, industry suppliers, courier operators and retailers are an increasing industry trend.

As a result, there is a growing number of competitors, including non-traditional operators such as retailers within this sector. Another developing trend is related to

pure digital retailers (e-tailers) establishing their own physical delivery distribution networks to improve the quality of service provided to their online customers.

4.3 PESTLE AND SWOT ANALYSIS

Table 4-2 below summarises the SA Post Office's external factors that materially influence the strategic direction of the Corporate Plan. The SWOT table translates these market factors into opportunities that the SA Post Office intends to leverage.

▪ PESTLE Analysis

Table 4-2: PESTLE Analysis

Political	Economic	Social
<ul style="list-style-type: none"> Rationalisation of SOEs by DCDT. Amendment of the Postal mandate to include digital services. Turnaround of the SA Post Office. 	<ul style="list-style-type: none"> Slow economic growth following the Covid-19 pandemic exacerbated by continued loadshedding. SA Economic Recovery and Reconstruction plan set to provide new growth opportunities. 	<ul style="list-style-type: none"> Consumers are increasingly shopping online. High unemployment is driving a reduction in consumer spending.
Technology	Legal	Environmental
<ul style="list-style-type: none"> Increasing growth of online shopping. Migration to cashless payment solutions such as digital wallets. 	<ul style="list-style-type: none"> Regulatory changes are required due to mandate amendments. 	<ul style="list-style-type: none"> Increasing attention to green technologies.

▪ SWOT Analysis

Table 4-3 summarises the organisational strengths and weaknesses that enable the SA Post Office to leverage the market opportunities or hampers its ability to benefit from these trends effectively.

Table 4-3: SWOT Analysis

Opportunities	Threats
<ul style="list-style-type: none"> Rationalisation of SOEs by DCDT Consumers are increasingly shopping online, driving parcel demand. Migration to cashless payment solutions such as digital wallets, etc. 	<ul style="list-style-type: none"> Increasing competition from private sector courier operators. Increasing adoption of digital technologies by customers and businesses. Increased adoption of cashless solutions Loadshedding Brand perception

Strengths	Weaknesses
<ul style="list-style-type: none"> • A large number of customers remain motivated to utilise SA Post Office products and services. • A vast physical network presence in rural and outlying areas • Shareholder commitment and support towards modernising the organisation • Pockets of high performing employees across the organisation • One of the few South African organisations with existing platforms to support domestic and international distribution of goods, money and information. • Well-positioned to support the government's developmental state objectives 	<ul style="list-style-type: none"> • Financial position • Lack of capital investment – tools of trade • Low levels of service delivery • High-fixed operating costs • Availability of critical skills • Labour-intensive business processes • Low staff morale and trust • Low levels of staff training and development programs • Demographic profile – ageing workforce • Low levels of productivity • Weak product management and development capabilities • Weak implementation ethos across the organisation. • Weak employer of choice value proposition • Ageing infrastructure – hardware and software • Lack of prominence of SA Post Office brand

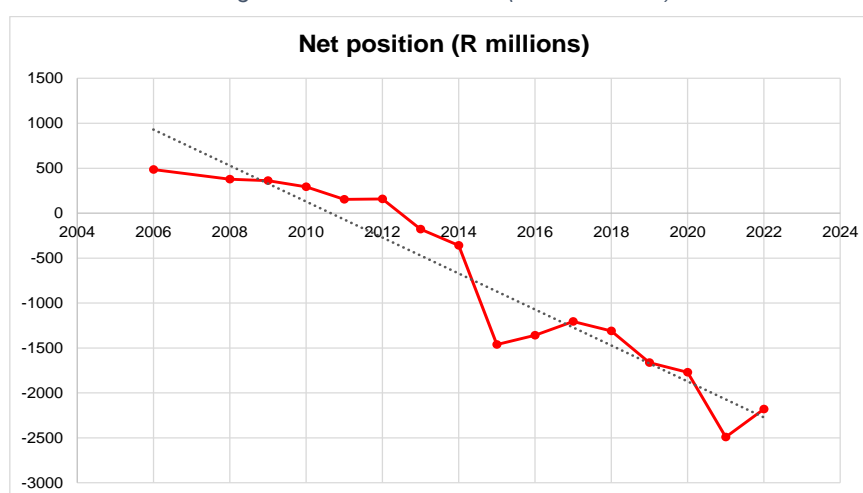
5. THE POST OFFICE OF TOMORROW

The financial position of the SA Post Office remains critical, with cash flow being managed daily, posing continued operational challenges. With most obligations not being settled, the organisation faces risk of collapse.

All revenue lines have continued to decline, exacerbated by the lack of technology and infrastructure investment, lack of tools of trade and compounded by an unsustainable cost base.

The decline in the financial position of the SA Post Office commenced as far back as 2006, as illustrated in the decline of the net loss position, which has been increasing annually and has remained unfunded.

Figure 5-1: Net Position (2006 – 2022)



During October 2021, based on the diminishing business position, the SA Post Office, in conjunction with DCDT Ministry, developed a turnaround plan – *Post Office of Tomorrow* – which drives the organisation's turnaround and return to financial sustainability, business stability and growth.

As with the Corporate Plan for 2022/23 to 2024/25, the Corporate Plan for 2023/24 – 2025/26 is based on the Post Office of Tomorrow turnaround strategy.

Aligned to the Medium-Term Strategic Framework 2019-2024¹, the Post Office of Tomorrow plan 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.

The repositioning of the SA Post Office comprises:

¹ Medium-Term Strategic Framework 2019–2024. DPME. 2019.

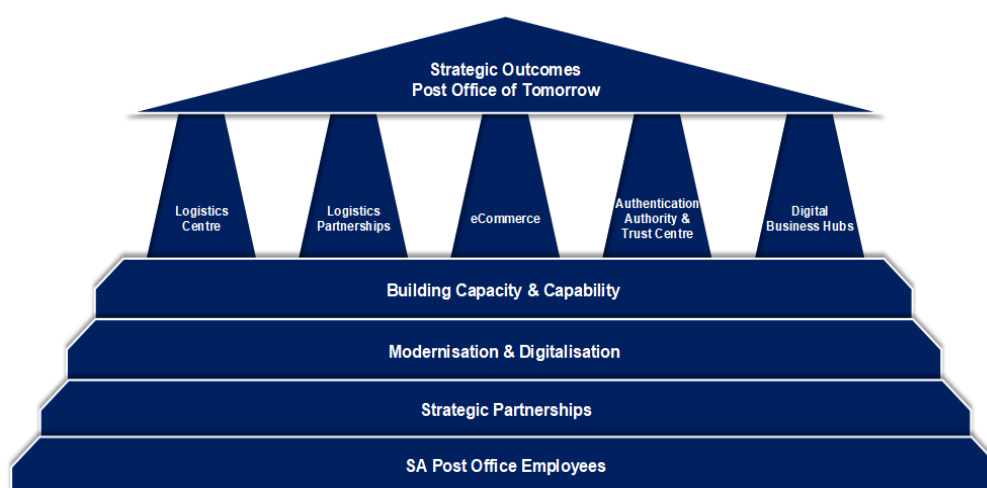
1. Leading Logistic Service Provider for South Africa and the Region
2. Logistic service partner to other e-commerce and logistics players, including SMMEs and informal traders nationally and internationally based on its expansive postal network.
3. e-Commerce hub² for South Africa and the Region
4. Designated Authentication Authority that fulfils its role as a national Trust Centre in the age of digital identity and services
5. Digital Business Hubs that serve as digital hubs for communities

These strategic outcomes initiate fundamental changes to the SA Post Office business model by:

- Firstly, re-engineering the organisation's product and services portfolio.
- Secondly, the contracting of services that can be optimally and profitably delivered through alternative channels
- Thirdly, enhance the provision of the Universal Service Obligation
- Fourthly, positioning SA Post Office as a service provider of other service providers (Logistic Integrator); and
- Lastly, building a delivery capability and capacity.

The envisaged re-engineered Post Office of tomorrow product and service portfolio is depicted in figure below:

Figure 5-2: SA Post Office Corporate Plan (FY2024 – FY2026)



Ensuring the success of this Plan is dependent on the SA Post Office implementing necessary enterprise-wide adjustments focused on:

² A provider of hosted integration, drop-ship fulfilment and product content management for multi-channel e-commerce merchant.

- Contracting of services that can be optimally and profitably delivered through alternative channels, thus lowering costs and increasing productivity; and
- Re-engineering the organisation's product and services portfolio thus leveraging its assets and up skilling the workforce.

The primary aim of the Modernisation program is to resolve operating and productivity deficiencies by establishing an efficient technology-driven operating environment with an appropriately skilled workforce. This program also implements the critical and necessary capabilities to support the SA Post Office of Tomorrow.

Strategic Partnerships are a crucial enabler to the Post Office of Tomorrow to ensure that the strategic benefits are derived as envisaged.

5.1 IMPLEMENTING THE POST OFFICE OF TOMORROW

Notwithstanding approval of the Post Office of Tomorrow turnaround strategy by the shareholder and at various committee levels during the FY2022/23, the turnaround strategy has remained unfunded.

As indicated to the shareholder, implementation of the strategy is critically dependent on funding availability, required for capital investment and operational expenditure to implement the turnaround strategy.

A critical component to the Post Office of Tomorrow turnaround strategy is the digital transformation journey required to move the organisation forward.

Achievements in the digital space include:

- Online MVL
- Registered eMail & SMS
- Confidential eMail & SMS
- eCommerce Partners - integration with Wish, ICE, CNE Express, Mail Americas and Signature Mail
- eCommerce mall
- Upgrade network – resulted in a 98% uptime of branch network.
- International Parcels System roll-out with associated integration capabilities for eCommerce (APIs)
- Chronic Medicine Distribution (IT Solution Support)
- DTT Distribution and Warehousing (IT Solution)
- SASSA Payments

- RTIA Systems Readiness
- Generally, maintain System Uptime for critical SA Post Office systems despite dire state of IT Infrastructure

As part of the turnaround strategy, the contracting of services to Employee-owned companies targeting 3000 employees in the FY2022/23 year was envisaged. The Owner Driver Scheme is in process of implementation and is aimed at employees developing their own business as an Owner Driver with the SA Post Office contracting them for letter and parcel deliveries.

Organisational headcount has been reduced through focused actions. In February 2022 / March 2022, 668 employees were granted VSP's and left the organisation. A further 385 employees applied for VSP in April 2022, however the process was halted due to funding constraints. During November and December 2022, 1071 VSP applications were approved and the employees have left the organisation on 31 January 2023.

The SA Post Office anticipates that an additional 4,000 employment positions will be affected by the proposed changes required (Section 189 of the Labour Relations Act) to ensure the financial sustainability of the organisation and the move towards the Post Office of Tomorrow strategic outcomes, subject to the outcome of the consultation process with Organised Labour.

6. RE-ENGINEERING OF PRODUCTS AND SERVICES

6.1 LEADING LOGISTICS SERVICE PROVIDER FOR COUNTRY AND REGION

The parcel industry continues to create opportunities and is currently in a growth phase, through the demand of the introduction of the eCommerce economy also puts additional customers for the SA Post Office.

SA Post Office will re-establish its presence within the parcel business informed by (1) restoring customer confidence and attracting new customers; and (2) optimal and competitive service delivery.

The SA Post Office courier business segment is uniquely positioned to can be a leading service provider given the extent of the SA Post Office network and become the n leading courier operator in the country. To achieve this goal, the following actions are to be implemented:

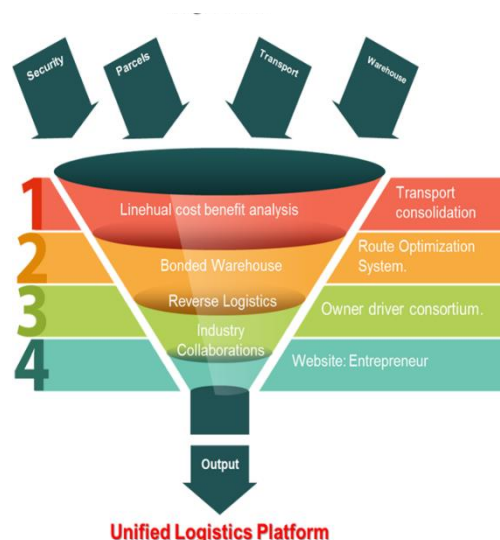
SA Post Office and its network of Courier Service providers will provide a Parcel Insurance product to ensure appropriate cover of goods in case of loss or damage. The Parcel Insurance product will be in place by 1 January 2024; and for any outsourced services, will be in place before any outsourcing is done.

The current existing courier and parcel business is to be consolidated into a unified logistics platform and provide the market with a full range of logistics services (express, courier, freight and international). As a logistics provider, the SA Post Office will ensure that domestic and international parcels are delivered on time at competitive prices. A planned mixed-model approach of outsourcing non-core activities, strategic partnerships and an owner-driver framework underpins the restructuring of the new courier division.

The SA Post Office Logistics division will also cater to customers and courier service providers' reverse logistics needs by way of the employee-owned companies.

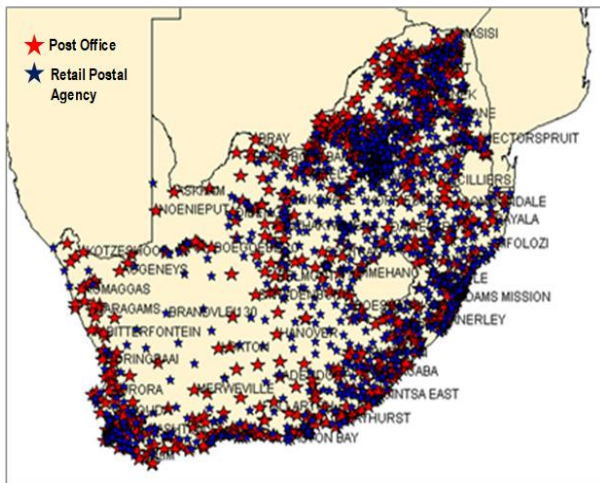
Along with these delivery services, a warehouse network will be established which will include warehouses operated by employee-owned companies, SMMEs and other service companies. This will be expanded to include international clearing and forwarding bonded warehouses.

Figure 6-1: Fragmented to Unified



6.2 LOGISTICS PARTNERSHIP

Figure 6-2: SA Postal Network



The SA Post Office is to position itself as the logistics service provider to other logistics service providers.

The SA Post Office must therefore establish itself as the centre of a Logistic-alliance that will assist businesses to ship freight and packages throughout South Africa, regionally, and internationally. To achieve this, SA Post Office is to establish strategic partnerships with certain of its competitors, leveraging the strength of its network. Strategic

partnerships will be concluded on a national and international level.

At a national level, many logistics companies do not have rural reach and they are mainly urban service providers. This creates an opportunity for the SA Post Office, utilising its national network, especially in rural and township areas, to provide service delivery infrastructure to logistics companies.

At an international level, the SA Post Office will work to create strategic partnerships for South Africa to become a logistics hub for the region and continent. Such partnerships will be anchored on South Africa's strong transport system in terms of air, road and rail, and the location of SA Post Office warehouses in close proximity to the IDZs and international ports (air, land and sea).

The SA Post Office will conclude negotiations with potential partners with the intention of establishing alliance or strategic partnerships with competitors who dominate the eCommerce market within South Africa and the Region. The SA Post Office will also develop the capacity to service SMMEs, informal business and traders' logistics needs for their businesses.

The SA Post Office will initiate negotiations for agency agreements with Postal services in other countries within in the region and continent. It will also negotiate with potential airlines and other road and freight carriers to move SA Post Office packages to and from South Africa, other destinations in the region, continent and globally.

SA Post Office will also look to establish niche service offerings where these are economically viable, such as specialised logistics solutions to the pharmaceutical and medical sectors within the next three (3) years.

These two niche areas will be easy to replicate due to the extensive national footprint of the SA Post Office and infrastructure. These business areas are less susceptible to price-based competition. SA Post Office's additional advantage in the market is its affordable counter-to-counter service.

6.3 ECOMMERCE

SA Post Office plans to become a strong player in the eCommerce business. Business intelligence generated from the logistics services will be utilised to enhance the competitiveness of the SA Post Office in the eCommerce business.

SA Post Office will create an eMall (which is a collection of online shops) for purposes of enhancing its logistics business, authentication service; and also generate revenue from advertising.

The intention of the eMall is to build confidence in the SA Post Office as preferred logistic partner within three (3) years. Simultaneously, SA Post Office will serve as a value-chain integrator for logistic services and sourcing by integrating customers and services providers / producers.

Business intelligence of SMMEs, informal traders will be used to enhance opportunities for the Business Digital Hubs.

SA Post Office will further seek to support the growth of the eCommerce business in the region to drive regional eCommerce volumes by establishing itself as a regional eCommerce hub. SA Post Office will seek the required UPU accreditation to establish an eCommerce Africa Hub in South Africa so to serve the eCommerce parcel distribution needs of the continent.

6.4 AUTHENTICATION AUTHORITY AND TRUST CENTRE

SA Post Office will work together with the Department of Communications and Digital Technologies (DCDT) to strengthen and expand on its designation as preferred Authentication Authority and Trust Centre for South Africa. The SA Post Office Trust Centre technology, the first South African developed Public Key Infrastructure (PKI) platform, has been accredited by the South African Accreditation Authority (SAAA) as per the Electronic Communications and Transactions Act, no 25 of 2002.

The Trust Centre is a highly secure environment that hosts the public key infrastructure (PKI) and Certificate Authorities (CAs). It also provides user authentication and ensures trust and legal status in electronic transactions through Trust Centre digital certificates. SA Post Office will provide trust centre services to the National Identity System to be established by the Department of Home Affairs as part of the maintaining the single digital identity for persons living in and visiting South Africa.

Figure 6-3: SA Post Office Trust Centre Services



The DCDT and the Security cluster will develop South Africa's Self-Sovereign Identity (SSI) Framework, that will guide SA Post Office in implementing the SSI system. This is important in the age of blockchain, crypto technologies, digital identities, and cybercrime in reducing the unintended sharing of user's personal data.

Due to advancements in technology and the growing market for current cybersecurity services, SA Post

Office is in the process of modernising its Trust Centre to provide the market with electronic credentials known as Self-Sovereign Digital Identities. The SA Post Office's Self-Sovereign Digital Identity enables individuals and businesses to securely manage their personal, private and confidential information in a digital economy. SA Post Office will provide SSDI services to the Postbank and offer the same service to all banking sector as part of maintaining the authentication other banks.

SA Post Office's Trust Centre enables the prevention of digital and identity theft whilst making storage and accessibility of identity documents more convenient and secure than with physical identity documents.

The Trust Centre enables two categories of secure digital services: Personal Digital Services and Service Authentication Services.

The SA Post Office Trust Centre facility is regarded as a secure and trusted vault, providing individuals, businesses and government the confidence that their data, personal information, documents are safe and protected. Therefore, the SA Post Office Trust Centre serves as the secure, trusted bridge that underlies digital engagements and transactions between entities.

The Trust Centre caters to three types of customer segments:

1. **Subscribers** - are users of digital certificates and signatures used for authenticating documents and signing of electronic documents.
2. **Distributors** – are registered authorities of the SA Post Office to resell trust centre services to their customers.
3. **Integration Partners** – are users who utilise the Trust Centre for technology related-services related to website and server security. Additionally, other services providers also integrated their applications and software with the Trust Centre, further enhancing the security standards of their technologies.

A specific focus area of the Trust Centre plan is to partner with the DCDT and collaborate with several government entities to review and launch cybersecurity policies aimed at enhancing the digital security standards of South Africa. It is envisaged that the SA Post Office will drive the country's innovation regarding Trust Centre capabilities and services over the long term.

The following section highlights the Trust Centre Service portfolio that will be offered once activated:

1. **Personal Authentication Services**

- **Digital Identity Services and electronic identities**– enables individuals and businesses to identify themselves legally with government-certified digital identities.
- **Electronic Signatures** – a digital version of physical, written signatures based on encryption technologies.
- **Electronic Postal Certification Mark** - provides a chain of evidence, stored by the Trust Centre as a trusted third party, to prove the existence of an electronic event, for (1) specific content, at a (2) certain date and time and (3) involving one or more identified parties, whereby the signer's identity and the integrity of the data can be verified users, can digitally sign documents using.
- **Digital Commissioner of Oath** – verification and authentication of documents.

2. **Server Authentication**

- **SSL Verification and Authentication** – Web service security

▪ The Trust Centre as a Strategic Enabler

The Trust Centre is a strategic capability that enables several other products offered by the SA Post Office, such as:

1. **Electronic Stamp** – a digital stamp is attached to an electronic document indicating the time and user, proving that the document existed at the time of stamping.
2. **Registered & Authenticated Electronic Mail** - provides secure and trusted exchange of electronic messages, enabling the sending of electronic messages by an authenticated mailer for delivery to an authenticated addressee or addressees with proof of sending and proof of delivery. This also include verification of sender.
3. **Single Digital View of a Location** - Consolidation of physical, postal and electronic addresses for purposes of a single view of the location of a South Africa. The national address database will be upgraded while the postal code methodology will be modernised.
4. **Social media identities** – the need to authenticate social media users' identities for purposes of both crime prevention, national security and protection of personal data.
5. **Secure Digital Postbox** - enables customers to order electronically, pay and download postage for documents or merchandise through the Post's website, smartphone application or SMS. Postage can be printed physically (e.g., shipping labels) or provided by a number code or key.

6.5 DIGITAL BUSINESS HUBS

The Business Digital Hub is an easy-to-use enterprise service developed to help companies and individuals to support their ICT and related requirements. The intention is to transform SA Post Office outlets into one-stop technology service centres for business and individuals who may not afford technology products at an individual level.

Due to SA Post Office's expansive footprint and network, this will have beneficial impact in under-serviced communities, who will be able to access modern digital services, and products through the post office branches.

The Digital Business Hub services will comprise of four types of service offerings:

1. **Auxiliary Services** include printing, photocopying, scanning, binding and printing which will include design and printing of business cards, events programmes, posters, etc. Part of this revenue stream is the selling of stationery and consumables.

2. **Business Services** include provision of co-working spaces for entrepreneurs. For IT specialist, serve as an integrating point between potential providers and potential clients (consultancy fee payment). The business service will also serve as platform for entrepreneur, in particular young people, in under-serviced areas to access technology for their participation in the digital economy.

Product Services Portfolio
Traditional Products
Community Hubs (Public Internet Services)
Stationery
Printing, photocopying, scanning, faxing and binding services
Printing Services for municipalities
Transactional Capability Enhancements (How it is sold)
<ol style="list-style-type: none"> 1. Integration with strategic government and business partners 2. Multi-functional devices

Table 6-1: Digital Services Hubs Product Initiatives

The SA Post Office will partner with NEMISA (National Electronic Media Institute of South Africa) to make space available for technology innovation hubs.

3. **Internet Services** will be available as part of SA Post Office service offerings and will include emailing, web browsing, website design and hosting, and an e-government outlet for services such as Motor-Vehicle-License (MVLs) and bill payment services. There must be a deliberate programme by Government to designate SA Post Office as the preferred eGovernment service outlet. SA Post Office will create and host a unique /authenticated email address for each South African. This will eliminate email cloning, internet fraud and cybercrimes; and Government must ensure that sensitive transactions require authenticated email addresses.

4. Infrastructure as a Service (IAAS)

A key product that will be expanded and strengthened is the IAAS portfolio which is directed at making the postal network available to retailers to sell their products whilst courier operators will be able to utilise the network to deliver parcels in areas where they do not operate.

SA Post Office has embarked on a journey to facilitate a new commerce eco-system based on its digital and physical infrastructure. The key strategic objectives of the eco-system are to:

1. Increase the cross-border business for South African companies.
2. Improve the utilisation of the Post Office Infrastructure.
3. Increase transactions per consumer in a Post Office branch.
4. Improve market share for South African manufactures in South Africa.
5. Provide additional delivery capacity for companies.
6. Provide convenience and fair pricing for consumers.

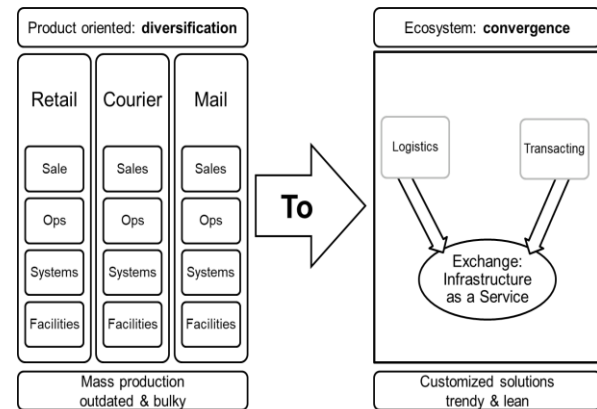


Figure 6-4: Infrastructure as a Service (IAAS)

Potential business categories to benefit from this eco-system are merchants and manufacturers. The benefits that businesses will be provided with include access to the market for goods and services, and our national and international distribution network.

Products and services that will be made available through the IAAS model include:

- Goods and services which merchants and manufacturers wish to make available to consumers through the eco-system
- Shelf space in branches that merchants and manufacturers want to utilize on a subscription basis
- Warehouse space that merchants or manufacturers wish to utilize on a subscription basis
- Transportation capacity for goods
- Marketing of products and services within the SA Post Office outlets
- Transactional services through SA Post Office transactional systems

Benefits of the eco-system to SA Post Office and the merchants or manufacturers will be based on the type of service the merchant or manufacturer derives from the SA Post Office.

7. BUILDING CAPACITY AND CAPABILITY

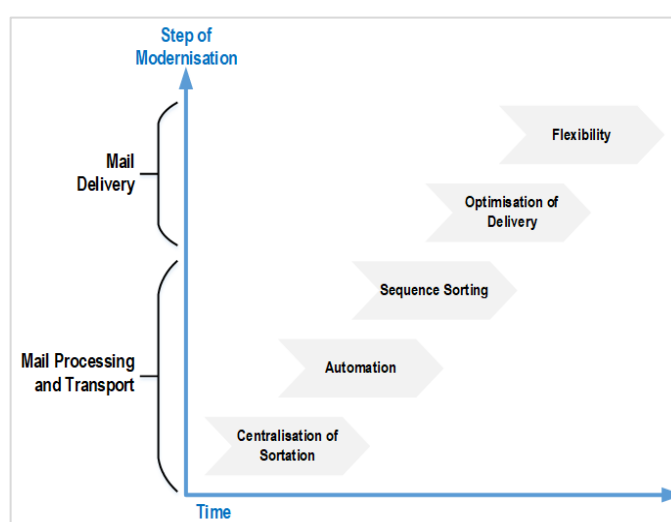
7.1 ELIMINATE DUPLICATIONS AND INEFFICIENCIES BY RESTRUCTURING THE ORGANISATION

The restructuring of the organisation ensures optimal, efficient performance. The newly structured organisation increases reliability, on-time delivery and cost-to-serve across the organisation. The restructuring program includes determining business metrics to enhance monitoring of service delivery performance and ensure enterprise-wide accountability. The restructuring program includes redesigning the operating model, revising the transport fleet, modernising postal and parcel technologies, optimising staff where required, realigning the network and infrastructure.

7.2 OPTIMISING OPERATIONS

SA Post Office will build resilience into its operations to ensure business continuity against business disruptions or natural disasters. This may entail, among other things, resizing and reconfiguring mail centres and transport routes and related networks. Disaster recovery and business continuity plans will be implemented, along with the necessary infrastructure, to ensure that operations are not severely interrupted in case of any disturbance.

Figure 7-1: Postal Network Optimisation Model



SA Post Office will implement initiatives to optimise its operations by digitising key processes, such as revenue protection, track and trace and delivery management, among others.

These improvements will drive down wastage across the sorting and distribution process. This includes incorporating technologies that allow SA Post Office to print mail remotely, rather than transporting it long distances and record proof of deliveries electronically on handheld devices.

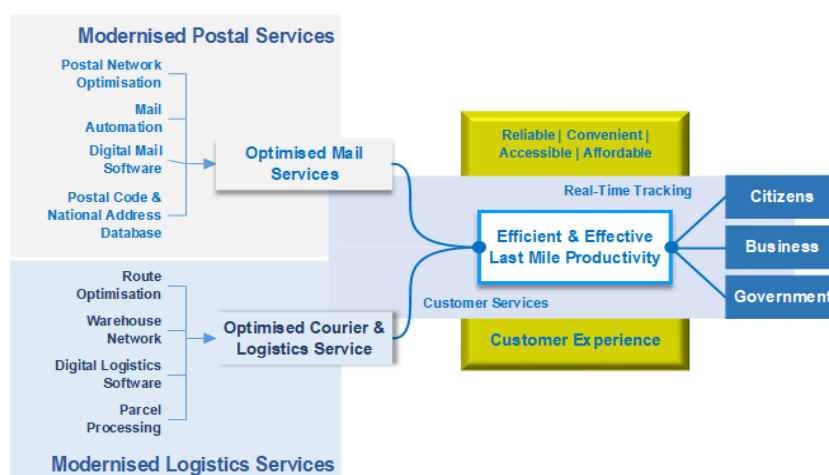
▪ Enhance the National Postal Address Database Capabilities

The ability to deliver mail and parcel items depends on the quality of SA Post Office's national address database. When updating the database, the addressing format will be revised to improve the ease of sorting mail to letter delivery walk levels. The database also presents a revenue opportunity that SA Post Office will leverage. For example, the database will assist with the Statistics South Africa (Stats SA) national census exercise and enhance authentication services by integrating the database with various government departments.

▪ Strengthening the Last Mile

The operations division will improve the delivery cycle time of parcel deliveries and enhance the tracking of customer shipments from origin to final delivery. In addition, operations are currently developing an operational plan to guide the activities to strengthen the last-mile services.

Figure 7-2: Enhancing the Operational Efficiency of the Postal Network



7.3 DIGITISING MAIL OPERATIONS

The SA Post Office modernisation plan enhances the inter-connectedness of its letter, financial and parcel physical platforms. In this regard, the integration and convergence of the organisation's information technology (IT) and operational technology (OT) systems will be prioritised.

Central to this activity is the connectivity enhancements of core resources, such as RFID's devices needed for tracking mail items during sorting and transportation activities, vehicle route tracking and mail automation technologies. In addition, the adequate connectivity of operational assets leads to improved data collection capabilities stored at a centralised data warehouse.

Simultaneously, the data warehouse will be integrated into a data analytics platform so that value chain processes can be managed better, improve the customer

experience, increase employee productivity, enhance decision-making, and develop new products and revenue streams.

The postal network modernisation program is indicated in Table 7-1 below.

Table 7-1: Postal Modernisation Program

Postal Network Optimisation Program Planned Changes	
Key Initiative	Description
▪ Automation	The level of automation at high volume sites will be increased to improve productivity. Improvements will be derived from increasing the number of items sorted per person-hour and reducing the overall handling time of mail and parcel items.
▪ Rebuild and Optimise Delivery Network	The delivery network will be optimised to ensure faster delivery of mail and parcel product lines. All express and overnight items will be prioritised to ensure that published delivery standards are achieved. In addition, standardised delivery equipment will be used to speed up the movement of mail and parcels. This will also assist in preventing damage to mail and parcel items throughout the value chain.
▪ Rebuild & Optimise Sorting	SA Post Office will continue to adjust its mail and parcel sorting network to align with letter and parcel volume changes and advancements in related technologies. This will increase productivity levels and efficiencies across the postal and parcel network. In addition, IT-based technology will be deployed throughout the distribution network to control distribution and sorting processes better and increase productivity.
▪ Rebuild and Optimise Transport Capability	A national control centre that monitors scanning, processing and transportation to ensure efficient routing of mail and parcel items throughout the distribution network will be implemented. Transport resources within line-haul and fleet sections will be continuously optimised to reduce costs. Additionally, delivery services will be aligned to the customer needs and expectations.

Initiative	Description	Initiative	Description
1. Track n Trace	Enable customer to monitor the movement of parcels from sending to delivery	2. Owner Driver	Convert employee drivers into delivery partners
3. Co-loading	Recovery of transport costs through co-hauling of goods	4. Mail Automation	Reduction of manual processing costs and increase mail processing efficiency
5. Network Balancing	Optimisation of postal network operating costs	6. Hybrid Mail	Reduction of transport costs, and increase in speed of delivery to customers
7. Route Optimisation	Reduction of transport costs	8. Sort to walk	Reduction of processing cost and sorting cycle time.

7.4 POSTAL SERVICES MODERNISATION

The demand for traditional Postal products and services is not expected to diminish completely, and the SA Post Office will continue providing traditional Postal Services using modern methods by enhancing with value-adding features and complemented with digital variants.

The manual processing of physical letters will be reduced by implementing **automated processing** systems at high-volume centres. In addition, **hybrid mail** will reduce the current number of processing events. These initiatives won't necessarily drive revenue growth; instead, they will optimise the costs of postal operations, improving revenue earned from this business segment.

The physical post-box network will require rebalancing in line with volume demand, again optimising the operating costs of this postal channel.

Postal Product Portfolio <i>Planned Changes & Enhancements</i>	
Traditional Postal Products	e-Postal Products
Standard Letters	Online Hybrid Mail services
Registered Letters Secure Mail	e-Registered Letters
Periodicals	Digital Media Services
Direct Marketing	Digital Direct Marketing
Physical Post-box	Digital Postbox (email for life)

Table 7-2: Postal Services Modernisation

The physical post box will also be complemented with a digital post-box which will contribute to e-Postal revenue growth and reduce the physical post-box infrastructure cost. Additionally, the digital Postal shop will require modernisation to provide the total suite of products within the portfolio: Postal, Courier, Financial and Government. The table highlights the digitisation of core postal products, which will be available via a digital eco-system, the Digital Post Shop and mobile platform.

7.5 PAYMENT CHANNEL MODERNISATION

The payment services portfolio will be revised to match market trends and serve customers more efficiently, underpinned by:

Payment Channel Services <i>Planned Changes & Enhancements</i>	
Traditional Payment Products	e-Payment Products
Bill Payments	Electronic Bill Payment Platform
In-store Payments	Digital Payments

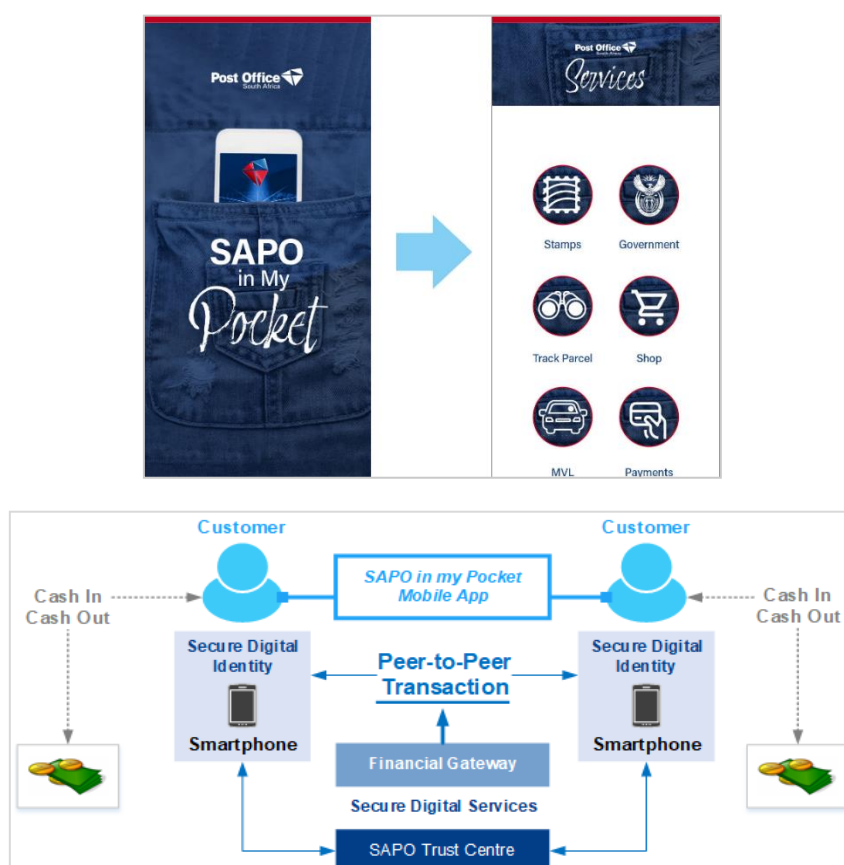
- Real-time capabilities.
- Enhanced integration with strategic government and business partners; and
- Launching a mobile platform to grow revenue from the growing e-commerce market. The Mobile Payment Platform initiative - SAPO in my Pocket - will move simple payments to a digital platform, enabling SA Post Office digital products anywhere, anytime, securely.

Money Order and Transfer services	Mobile Money (Send & Transfer money domestically and internationally) (Purchase Airtime, etc.)
Airtime, Data & Vouchers	
Insurance Products	
Motor Vehicle License Renewals	Digital MVL

Table 7.3: Payment Channel Modernisation

The SA Post Office is currently in the early stages of designing the SA Post Office in my Pocket application; the preliminary designs are depicted in Figure 7-3 below:

Figure 7-3: SAPO in My Pocket Mobile Platform



7.6 WORKFORCE AND CAPABILITY PLAN

Capability planning aims to have a valuable workforce that meets the mandate and objectives of the SA Post Office of Tomorrow turnaround strategy, seeking to provide the SA Post Office with a competent, agile, and productive workforce. This includes:

- **Workforce and Cost analysis** - The analysis focuses on the optimal balance of staff numbers and future requisite skillsets to take the company forward. In addition,

the aligning of employees' skills and competencies with the SA Post Office of Tomorrow turnaround strategy.

- **Performance Management** – SA Post Office aims to uphold a culture of accountability through Performance and Productivity management. The existing policy on performance management allows the seamless application to be easily implemented by all line managers. The process has clear objectives and targets that realise how an employee meets the functional job requirements. The intention is to continuously and quarterly manage contracting agreements, including performance reviews. The outcome is a culture of a productive workforce.
- **Review of structure** - The review of the operating structure has been ongoing to determine the duplication of roles and job functions. The ongoing structure analysis paves a way to incrementally introduce relevant positions and skills aligned with the Post Office of Tomorrow turnaround strategy through redeployment, transfers and recruitment & selection. In addition, the Talent and succession Policy assists the organisation to seamlessly mentor and coach successfully capable and interested employees who could easily take up critical roles.

7.7 OMNI-CHANNEL PLATFORM

SA Post Office's current IT architecture must be reviewed and upgraded. An IT architecture plan will be implemented that supports the organisation's Omni-channel plan of expanding its sales channels such as mobile branches, internet channels and kiosks.

SA Post Office's modernisation and digital transformation plan intend to replace legacy systems with modern technologies. An additional key priority within this plan is the launch of the Omni-channel and eCommerce platforms. These initiatives aim to increase access to digital payment channels and enable online purchases from multiple retailers nationally. Additionally, the organisation has established an online customer clearance functionality, while the SA Post Office website offers real-time data exchange with airlines with foreign clearance declaration partners.

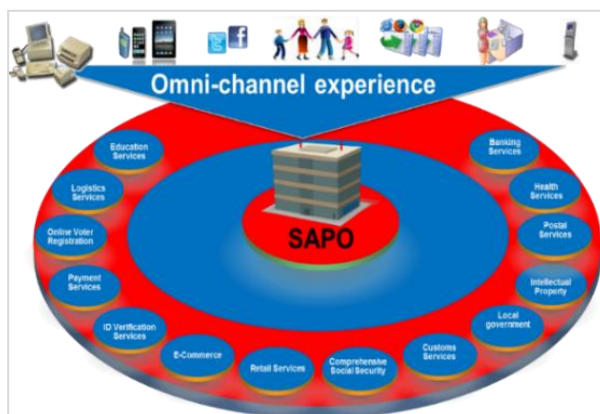


Figure 7-4: Omni-Channel program

7.8 SMART POST OFFICE

The Smart Post Office concept is planned for implementation, and the new Post Office creates a personalised, safe and welcoming shopping experience at postal branches. In addition, the Smart Post Office concept enables customers to augment their in-store shopping activities with the Online Postal Shop, further enhancing the customer experience with access to postal services and products anytime, anywhere. The SA Post Office defines this single-user access model across in-branch, door delivery, internet and mobile channels as its Omni-channel eco-system, conveniently connecting the customers' physical and digital worlds.

The first step of the SA Post Office to becoming more attractive to current customers, in particular younger generations, is the launch of mobile postal services so that services can be accessed at the customer's convenience. The next step is to co-develop the smart post office concept in collaboration with customers.

This collaborative approach ensures the SA Post Office designs the future post office centred on the customer's expectations. Thereafter, the SA Post Office will collect and analyse customer data to proactively reorganise its smart post office eco-system to sustain a high-quality user experience at all times.

Figure 7-5: Smart Post Office



7.9 TECHNOLOGY MODERNISATION PROGRAM

The SA Post Office remains committed to its core purpose, which is to serve the needs of citizens, businesses and government. However, several challenges impact the organisation's ability to effectively and efficiently deliver on its mandate. The growing adoption of digital technologies and evolving customer needs and expectations are key drivers influencing the SA Post Office's need to review its mandate, service offerings, and overall role within the economy.

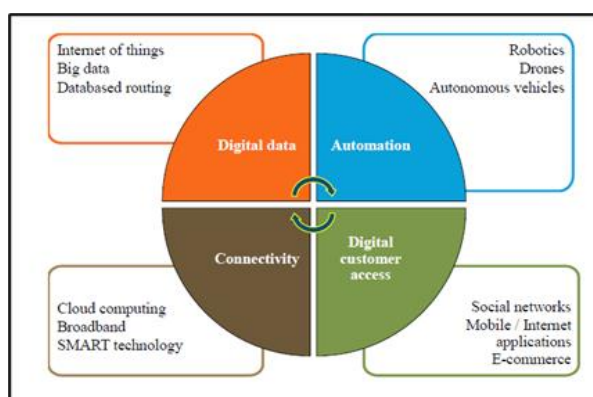


Figure 7-6: Drivers of Digital Transformation in Postal Sector

Digital disruption resulting from emerging 4IR technologies is one of the major challenges that make it difficult for SA Post Office to meet the evolving customer needs and expectations. Customers expect the Post Office to scale to their evolving needs and offer innovative digital services conveniently. Moreover, there is a need for the Post Office to be highly engaging with customers. However, the digital postal eco-system platform and Omni-channel experience in the SA Post office is lacking.

For the organisation to remain relevant, the Post Office of the Tomorrow turnaround strategy is oriented towards eco-system convergence instead of product-oriented.

The future of the Post Office lies in the financial payments and logistics space. This future state will see the Post Office more inclined to customise solutions to meet modern society's evolving needs.

This will require support with integrated Logistics solutions that provide end to end visibility of mail items. A secure messaging and transaction platform will support the various product segments.

Table 7.4: Customer Modernisation and Digitalisation

Business Unit	Modernisation Capabilities Required		Digitalisation Capabilities Required	
Logistics	<ul style="list-style-type: none"> Route Optimisation On-site payment Mobile ready eCommerce platform 	<ul style="list-style-type: none"> Driver Management Vehicle Management Warehouse Management 	<ul style="list-style-type: none"> Mobile notifications Digital ID Electronic Proof of Delivery Online quotation 	<ul style="list-style-type: none"> E-fulfilment Last-mile delivery automation Route Optimisation

Business Unit	Modernisation Capabilities Required	Digitalisation Capabilities Required	
Sales	<ul style="list-style-type: none"> Customer Relationship E-Postal Refresh Trust centre 	<ul style="list-style-type: none"> Mobile/ Online quotation Mobile ready eCommerce platform Mobile & Virtual /Digital Post office platforms Predictive analytics E-fulfilment Online Third-Party payments 	<ul style="list-style-type: none"> Real-time Licence applications, issuance and renewals Real-time traffic fine payments Online ticket sales Online subscription services Last-mile delivery automation Route Optimisation
Operations	<ul style="list-style-type: none"> Mobile payments Omni-channel experience 	<ul style="list-style-type: none"> Mobile Paperless COD Mobile Paperless Office of Exchange Manifesto 	<ul style="list-style-type: none"> Digital postal eco-system E-complaints Digital payment platform

The SA Post Office digital eco-system will allow the organisation and its partners to provide products and services that empower our customers to transact, send messages, send and collect parcels, make payments, and receive payments. These transactional activities will be supported by integrated digital platforms that offer open interfaces to consumers and service providers. This digital eco-system will be accessed via Omni-channel capabilities to give SA Post Office clients a seamless experience of the SA Post Office digital postal eco-system. Furthermore, the digital postal eco-system will provide the SA Post Office with the capabilities required to become a modernised postal and logistics service provider:

- Integrated digital postal management.
- Global payment management
- Integrated logistics management
- Government e-services access provider
- Secure messaging and transaction capabilities

▪ **Mobile solutions and platforms**

The world of business has become ubiquitous in nature. Information is currently available anytime, anywhere. The public no longer have to travel to the shopping malls carrying cash to be able to obtain goods and services. All these are now available through the palm of your hand.

SA Post Office has taken a decision to bring products and services, in line with the ubiquitous world, to the palm of the consumer's hand. To this extent, an earlier mobile solution was developed to allow the public to track their items, renew post boxes, view nearest branches to them, and perform payments for services rendered.

Some limitations on the current mobile solution gave rise to the need to develop an improved solution. The mobile solution will cater for the current use cases, and in addition, provide the public, among other things, an online solution to:

Act as a channel for MVL renewals

- Minimise the need to queue at branches for license renewal
- Improve customer experience.
- Improve delivery turnaround time for MVL renewals.
- Enhance the visibility of the SA Post Office brand in the digital platform.

8. STRATEGIC PARTNERSHIPS

In order to achieve the strategy outlined in this document, the SA Post Office will engage Strategic Partners to improve service delivery and organisational performance.

Strategic Partnerships will be either of a revenue generation, revenue share, technology transfer or knowledge management nature.

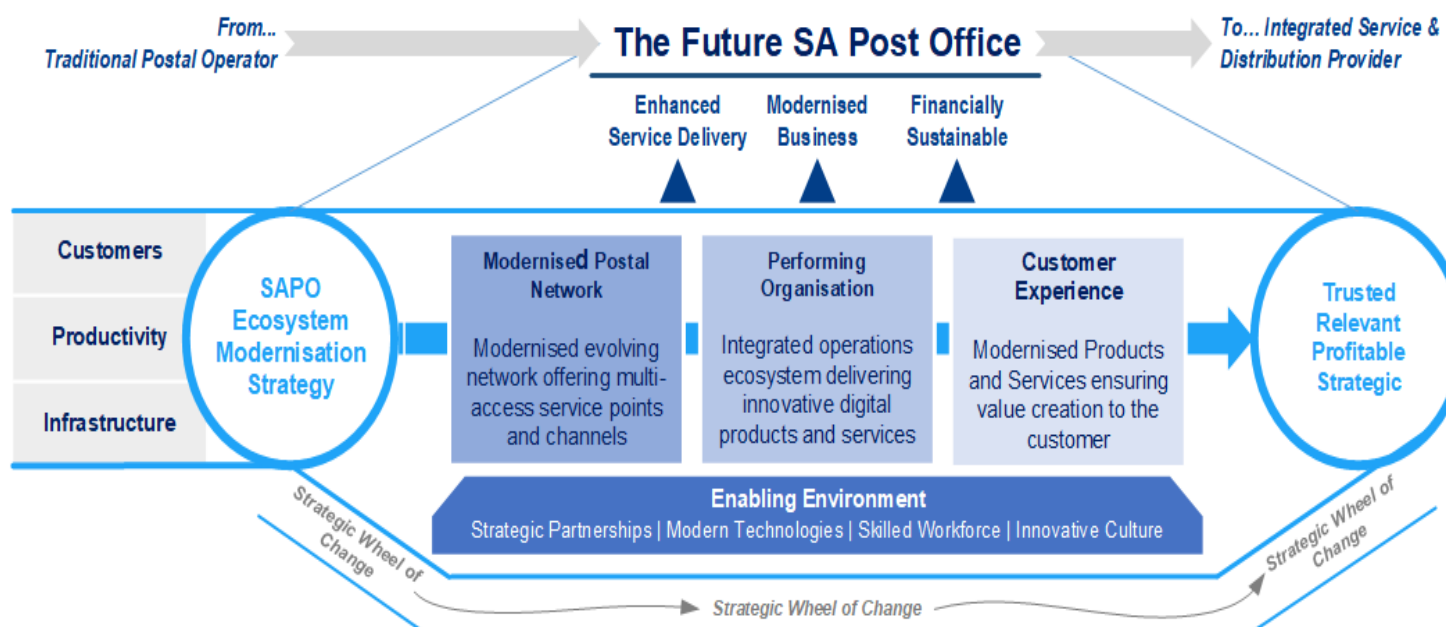
1. Product and Service Partners (Revenue generating)	2. Infrastructure Partnership (Technology & Properties)	3. Channel Partners (Omni-channels, garages, self-services, malls)
4. Business Optimisation Partners (Business improvement, VAT: Recon, SASSA Recons, Productivity Institute, Skills verification)	5. Equity (Funding) Partnerships	6. Training and Development Partners (e.g., Educational Institutions, FETs, SETAs)

9. STRATEGY ROADMAP AND IMPLEMENTATION PLAN

The following diagram outlines the strategic roadmap to establishing the Post Office of Tomorrow. The characteristics of the Post Office of Tomorrow focuses on being a modernised business providing enhanced service delivery to the market in a financially sustainable manner.

The Post Office of Tomorrow is an eco-system comprising a modernised postal network located in the middle of the physical and digital economy, delivering a high-quality customer experience in an operationally efficient manner. Over time, the SA Post Office will regain its trusted brand status, be relevant and be regarded as a strategic and profitable state-owned entity.

Post Office of Tomorrow: Strategic Implementation Roadmap



The SA Post Office of Tomorrow strategy is premised on the following problem statement:

The financial position of the SA Post Office remains critical, with cash flow being managed daily, posing continued operational challenges. With most obligations not being settled, the organisation faces risk of collapse. All revenue lines have continued to decline, exacerbated by the lack of technology and infrastructure investment, lack of tools of trade and compounded by an unsustainable cost base. The decline in the financial position of the SA Post Office commenced as far back as 2006. This decline continues to escalate year on year.

The Post Office of Tomorrow plan 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. The repositioning of the SA Post Office comprises:

1. Leading Logistic Service Provider for South Africa and the Region
2. Logistic service partner to other e-commerce and logistics players, including SMMEs and informal traders nationally and internationally based on its expansive postal network.
3. e-Commerce hub³ for South Africa and the Region
4. Designated Authentication Authority that fulfils its role as a national Trust Centre in the age of digital identity and services
5. Digital Business Hubs that serve as digital hubs for communities

These strategic outcomes initiate fundamental changes to the SA Post Office business model by:

- Firstly, re-engineering the organisation's product and services portfolio.
- Secondly, the contracting of services that can be optimally and profitably delivered through alternative channels
- Thirdly, enhance the provision of the Universal Service Obligation

³ A provider of hosted integration, drop-ship fulfilment and product content management for multi-channel e-commerce merchant.

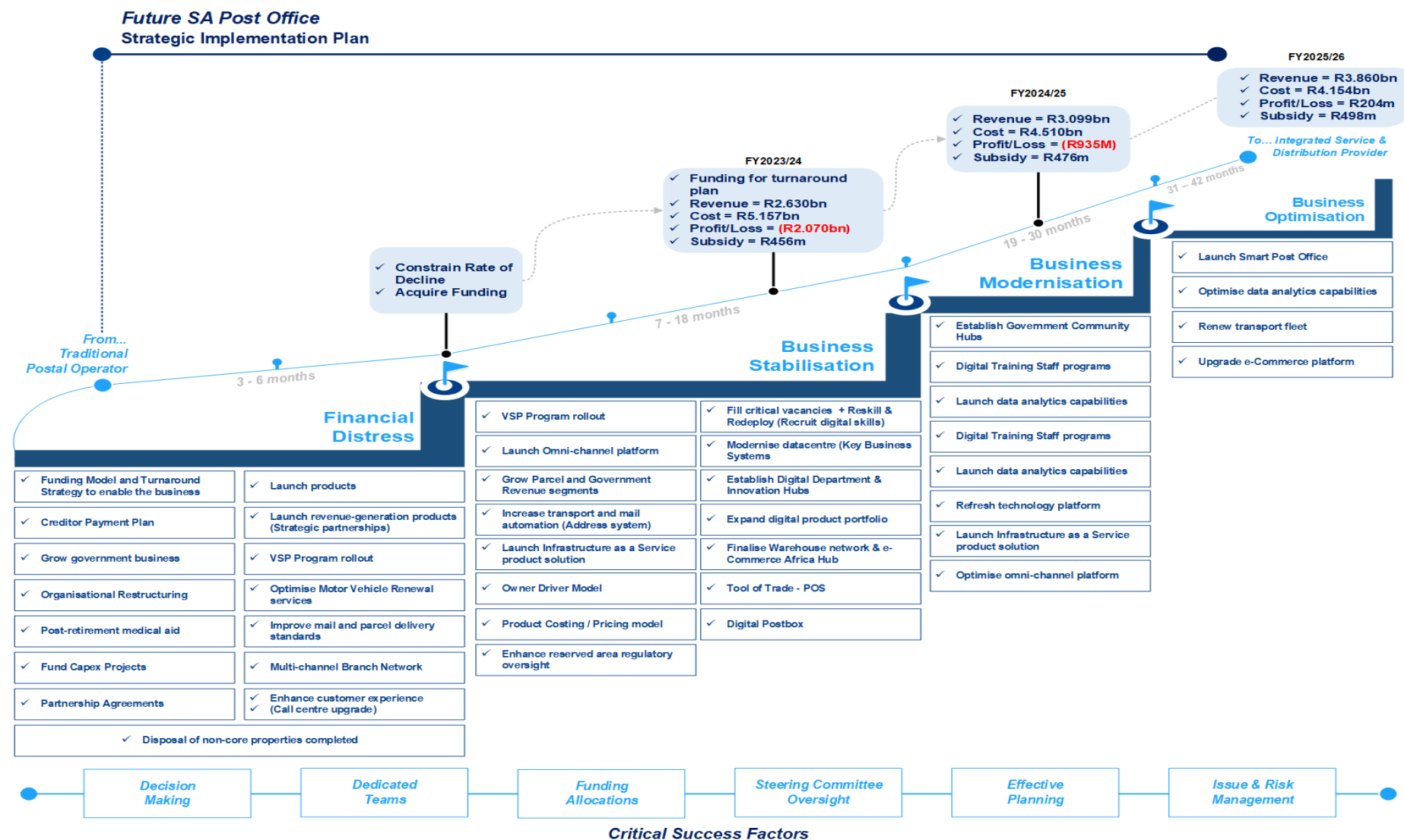
- Fourthly, positioning SA Post Office as a service provider of other service providers (Logistic Integrator); and lastly, building a delivery capability and capacity

The anticipated outcomes, outputs and activities aimed at resolving this challenge are summarised in the table below:

Outcomes	Outputs	Activities	Key Performance Indicator
Be a leading Logistics Services Provider for Country and Region	<p>Established logistics platform offering the following services.</p> <ol style="list-style-type: none"> Express Freight Warehousing 	<ol style="list-style-type: none"> Re-establish courier services. Setup a Freight transport capability Establish a national network of warehouses. Chronic Medication Distribution Services Establish a network of logistics partnerships. Launch an eCommerce Platform that enables SMMEs to sell products nationally and globally. Setup an eCommerce Regional Distribution Hub 	<ol style="list-style-type: none"> 2.1 Grow logistics revenue by 16%. 2.2 Generate warehousing revenue of R1m by establishing a network of warehouses. 4.1 Launch an eMall/eCommerce Services. 3.1 Logistics Alliance with 12 logistics infrastructure as a service client
Be the Official Authentication Authority and Trust Centre of South Africa	<ol style="list-style-type: none"> Issue Digital Identity and electronic identities Provider of digital Electronic Signatures Electronic Postal Certification services Digital Commissioner of Oath 	<ol style="list-style-type: none"> Setup a Trust Centre Launch Trust Products and Services 	<ol style="list-style-type: none"> 5.1 Establishment of a Trust Centre

Outcomes	Outputs	Activities	Key Performance Indicator
Provider of Business and Technology services	<ol style="list-style-type: none"> 1. Relaunch photocopying, scanning, and printing services. 2. Launch an Internet browsing service. 3. Enable business partners to sell products at Post Offices 	<ol style="list-style-type: none"> 1. Procure Multifunction devices for Post Offices 2. Acquire a pay-for-use Internet Browsing Services 	6.1 Establishment of Digital Hubs at 40% of identified sites
Be a competitive organisation	<ol style="list-style-type: none"> 1. Eliminate Organisational Duplications and Inefficiencies by restructuring the Organisation. 2. An optimised Operations and Postal Network 	<ol style="list-style-type: none"> 1. Implement the Postal Network Optimisation program. 2. Rebuild and Optimise the Transport capability. 3. Upgrade the Track n Trace technologies. 4. Modernise the Hybrid Mail solution. 5. Optimise and reskill the workforce 	<p>7.1 Achieve 92% regulated mail delivery standard.</p> <p>7.2 Achieve 90% domestic and international delivery standard.</p> <p>7.3 100% resolution of customer complaints recorded at call centre within 7 days.</p> <p>8.1 Maintain 98% system uptime at online Post Office branches.</p> <p>8.2 Implementation of critical modernisation and digitalisation programs</p> <p>9.1 Appoint and conclude 10 strategic partnership agreements</p>
Be a Digital Postal Operator	<ol style="list-style-type: none"> 1. Modernise Financial Products 	<ol style="list-style-type: none"> 1. Launch a mobile platform. 2. Launch an Omni-Channel Platform 3. Launch Smart Post Offices 	8.2 Implementation of critical modernisation and digitalisation programs
Be a Good Corporate Citizen	<ol style="list-style-type: none"> 1. Improve audit opinion 	<ol style="list-style-type: none"> 4. Resolve all category A findings. 5. Establish Monitoring and Reporting Task team on the Post Office Turnaround Strategy 	<p>10.1 Resolve all category A findings.</p> <p>10.2 Maintain compliance to Approved Funding Conditions</p>

The diagram below depicts the high-level implementation roadmap for the Post Office of Tomorrow strategy.



10. ANNUAL PERFORMANCE PLAN

No.	Corporate Key Performance Indicators	Annual target 2023/24	Quarterly Targets				Annual target 2023/24	Annual target 2024/25	Annual target 2025/26
			Q1	Q2	Q3	Q4			
1. Financial Sustainability (Statement)									
1.1	Attain net profit / (loss) position as per the Corporate Plan 2023/24 - 2025/26	(R2.070bn)	(R610m)	(R1.112bn)	(R1.595bn)	(R2.070bn)	(R2.070bn)	(R934m)	R203m
2. Logistics Centre									
2.1	Growth in Logistics revenue	Growth of 16% in parcel revenue from 2022/23FY	Growth of 4% in parcel revenue from 2022/23FY	Growth of 8% in parcel revenue from 2022/23FY	Growth of 12% in parcel revenue from 2022/23FY	Growth of 16% in parcel revenue from 2022/23FY	Growth of 16% in parcel revenue from 2022/23FY	Revenue growth to R274m	Revenue growth to R815m
2.2	Network of Warehouses	Generate R1m warehousing revenue	Generate R250k warehousing revenue	Generate R500k warehousing revenue	Generate R750k warehousing revenue	Generate R1m warehousing revenue	Generate R1m warehousing revenue	Growth in warehousing revenue	Growth in warehousing revenue
3. Logistics Partnerships									
3.1	Logistics Alliance (international & domestic)	12 Logistics IAAS clients contracted	3 Logistics IAAS clients contracted	6 Logistics IAAS clients contracted	9 Logistics IAAS clients contracted	12 Logistics IAAS clients contracted	12 Logistics IAAS clients contracted	Additional Logistics IAAS clients contracted	Additional Logistics IAAS clients contracted
4. eCommerce									
4.1	Establish eCommerce mall to support SMME development	Launch eMall / eCommerce services (100%)	25%	50%	75%	Launch eMall / eCommerce services (100%)	Launch eMall / eCommerce services (100%)	Expanded eMall / eCommerce services	Expanded eMall / eCommerce services
5. Authentication Authority / Trust Centre									
5.1	Trust Centre establishment	Accredited Trust Centre (100%)	25%	50%	75%	Accredited Trust Centre (100%)	Accredited Trust Centre (100%)	Grow Trust Centre revenue	Grow Trust Centre revenue

No.	Corporate Key Performance Indicators	Annual target 2023/24	Quarterly Targets				Annual target 2023/24	Annual target 2024/25	Annual target 2025/26
			Q1	Q2	Q3	Q4			
6. Digital Business Hubs									
6.1	Establishment of Digital Business Hubs	Implementation of the Digital Business Hub to 40% of identified sites	-	10%	30%	100%	Implementation of the Digital Business Hub to 40% of identified sites	Implementation of the Digital Business Hub to remaining 60% of identified sites	Optimisation of Digital Business Hub services
7. Building Capacity & Capability									
7.1	Achieve the regulated mail delivery standard	92%	92%	92%	92%	92%	92%	92%	92%
7.2	Achieve domestic and international courier delivery standard (>1kg)	90%	70%	75%	80%	90%	90%	92%	92%
7.3	Resolution of customer complaints recorded at the call centre within 7 days	100%	100%	100%	100%	100%	100%	100%	100%
8. Digitalisation & Modernisation									
8.1	Maintain system uptime at online Post Office branches	98%	98%	98%	98%	98%	98%	98%	98%
8.2	Implementation of critical modernisation and digitalisation programmes	Implementation of critical modernisation and digitalisation programmes to 30% of identified sites.	-	10%	30%	100%	Implementation of critical modernisation and digitalisation programmes to 30% of identified sites.	Implementation of prioritised modernisation and digitalisation programmes to remaining 70% of sites.	Implementation of prioritised modernisation and digitalisation programmes

No.	Corporate Key Performance Indicators	Annual target 2023/24	Quarterly Targets				Annual target 2023/24	Annual target 2024/25	Annual target 2025/26
			Q1	Q2	Q3	Q4			
9. Strategic Partnerships									
9.1	Establishment of Strategic Partnerships	Appoint and conclude Strategic Partnership agreements with 10 supplier/s	Develop and approve Strategic Partnership Framework	Conclude procurement process (RFP/RFI/LBD) to appoint supplier/s	Appoint and conclude Strategic Partnership agreements with 5 supplier/s	Appoint and conclude Strategic Partnership agreements with 5 supplier/s	Appoint and conclude Strategic Partnership agreements with 10 supplier/s	Implementation of Strategic Partnerships	Implementation of Strategic Partnerships
10. Corporate Governance									
10.1	Improve the Audit Outcome	Audit opinion	Implement tracking process to monitor resolution of AG finding	Implement tracking process to monitor resolution of AG findings	50% of the Category-A audit findings resolved	75% of the Category-A audit findings resolved	Audit opinion	Unqualified audit opinion	Unqualified audit opinion
10.2	Regular Monitoring and Reporting on the Post Office Turnaround Strategy	Compliance to Funding Conditions	Monthly Meetings	Monthly Meetings	Monthly Meetings	Monthly Meetings	Compliance to Funding Conditions	Compliance to Funding Conditions	Compliance to Funding Conditions

11. FINANCIAL PLAN

11.1 SA POST OFFICE FINANCIAL OVERVIEW

The financials have been prepared against a backdrop of increased financial pressures, difficult trading condition and ongoing liquidity challenges. SA Post Office's financial difficulties have continued for the 2022/2023 financial year, with a loss of R2.3 billion forecasted.

SA Post Office's cash flow position is extremely dire, as creditors, medical aid contributions, pension fund contributions and SARS obligations remained unpaid and will continue not to be paid unless urgent financial assistance is provided. The confirmation for the financial assistance has not yet been confirmed by National Treasury.

The outstanding liabilities at 31 December 2022 amounted to R5.3 billion and a further amount of R3.2 billion is owed to Postbank, resulting in total liabilities of R8.5 billion as at 31 December 2022.

The monthly liabilities continue to increase due to the monthly losses, as monthly expenses continue to exceed monthly revenue. The unpaid trade liabilities and property rentals continue to negatively impact on SA Post Office's ability to recover lost revenue to move to financial sustainability.

11.2 INCOME STATEMENT

Revenue of R2.6 billion for 2022/2023 financial year is projected to decline by R969 million due to lower postal services and financial services revenue. The SASSA contract was ceded to Postbank from the 01 October 2022 and the payments of grants at cash payment points was also transferred to Postbank. The lower volumes for the grant payments at branches, transfer of payment of grants at cash payments and the stopping of the SRD payments at branches have resulted in the reduction in the financial services revenue. However, reduction in costs for bank charges and security costs have been realized.

- MTEF allocations to fund the public service mandate (excludes VAT).
 - 2023/2024 FY - R456 million
 - 2024/2025 FY - R476 million
 - 2025/2026 FY - R498 million

The implementation of revenue initiatives to increase the courier revenue, financial services revenue and reduction of staff costs will reduce the loss for the 2024/2025 financial year. However, reduction in staff costs will require funding to implement the required initiatives.

The project net loss / profit is depended on achieving the revenue and cost initiatives:

- 2023/2024 FY - R2.1 billion loss,
- 2024/2025 FY - R935 million loss and
- 2025/2026 FY - R204 million profit

11.3 DETAILED INCOME STATEMENT

SA Post Office SOC Limited (R'000)	Actual 2021/2022	Forecast 2022/2023	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Revenue	3,536,484	2,567,908	2,630,655	3,099,037	3,860,118
Postal Services revenue	1,694,085	1,489,880	1,626,118	1,674,902	1,725,149
Courier & Parcels revenue	46,714	38,339	44,586	274,746	815,489
Financial services revenue	1,256,294	799,664	780,900	964,327	1,128,257
Interest revenue	69,624	22,000	12,000	13,000	14,000
Property revenue	144,158	69,931	83,734	86,246	88,834
Sundry revenue	325,608	148,094	83,316	85,816	88,390
Expenses	6,213,970	5,340,167	5,157,160	4,510,281	4,154,137
Staff expenses	3,646,461	3,473,434	3,485,650	2,706,595	2,273,540
Transport expenses	168,316	184,681	232,444	264,066	277,269
Property expenses	542,854	422,537	448,578	439,607	430,815
IT expenses	384,762	325,977	342,990	360,140	378,147
Security services	580,984	381,064	86,659	90,992	95,542
Interest expenses	124,389	20,332	7,379	7,748	8,135
Bank charges	221,194	131,516	109,798	115,288	121,053
Other operating expenses	545,011	400,625	443,662	525,846	569,638
Operating (loss) / profit	(2,677,486)	(2,772,259)	(2,526,505)	(1,411,243)	(294,019)
Subsidy	483,510	451,542	455,887	476,361	497,702
Net profit / (loss) before tax	(2,193,976)	(2,320,717)	(2,070,618)	(934,882)	203,683
Taxation	-	-	-	-	-
Net profit / (loss) after tax	(2,193,976)	(2,320,717)	(2,070,618)	(934,882)	203,683

11.4 STATEMENT OF FINANCIAL POSITION AND CASH FLOW STATEMENT

The salient points:

- Capex budgeted.
 - 2023/2024 FY - R88 million,
 - 2024/2025 FY - R140 million and
 - 2025/2026 FY - R170 million.
 - Funding for the Capex is required.
- The cash flow challenges, and the unfunded losses results in the trade and other payables increasing.
- The continued losses have resulted in a negative Net Asset Value of R6.4 billion for the 2022/2023 financial year and going concern challenges.

- SA Post Office has submitted an MTEF funding application through 2023 budget process.

Statement of Financial Position

Statement of Financial position (R'000)	2022 Actuals	2023 Forecast	2024 Budget	2025 Budget	2026 Budget
Non current assets	3,475,293	3,348,073	3,336,060	3,334,870	3,364,463
Current assets	2,710,763	2,118,060	1,768,864	1,493,061	1,286,083
Total assets	6,186,057	5,466,133	5,104,924	4,827,931	4,650,545
Share capital	8,164,116	8,164,116	8,164,116	8,164,116	8,164,116
Reserves	2,048,821	2,048,821	2,048,821	2,048,821	2,048,821
Accumulated loss	(14,311,596)	(16,632,314)	(18,702,933)	(19,637,815)	(19,434,132)
Equity	(4,098,659)	(6,419,378)	(8,489,996)	(9,424,878)	(9,221,195)
Non current liabilities	1,068,648	1,103,485	1,141,923	1,183,957	1,229,599
Trade and other payables	7,712,385	9,441,056	11,168,212	11,821,380	11,416,206
Funds collected on behalf of third parties	467,893	374,315	299,452	239,561	191,649
Provisions	311,245	326,807	343,148	360,305	378,320
Other current liabilities	724,545	639,848	642,185	647,605	655,965
Current liabilities	9,216,068	10,782,026	12,452,996	13,068,852	12,642,141
Total equity and liabilities	6,186,057	5,466,133	5,104,924	4,827,931	4,650,545

Cash Flow Statement

Statement of Cash Flows (R'000)	2022	2023 Forecast	2024 Budget	2025 Budget	2026 Budget
Net cash from operating activities	(1,383,152)	(52,467)	75,623	137,180	184,185
Cash receipts from customers	3,546,904	2,997,450	3,074,542	3,562,398	4,343,820
Cash paid to suppliers and employees	(4,930,056)	(3,049,917)	(2,998,918)	(3,425,218)	(4,159,635)
Net cash from investing activities	929,079	16,000	(76,000)	(127,000)	(156,000)
Disposal (purchase) of property, plant and equipment	(17,609)	(6,000)	(83,000)	(130,000)	(160,000)
Disposal (purchase) of other intangible assets	(246)	-	(5,000)	(10,000)	(10,000)
Disposal of financial assets at fair value	855,105	-	-	-	-
Interest and dividend income	91,829	22,000	12,000	13,000	14,000
Net cash from financing activities	(590,700)	(69,392)	(64,486)	(60,071)	(56,097)
Proceeds from (repayment of) financial liabilities at amortised costs	(127,128)	(21,966)	(19,770)	(17,793)	(16,014)
Proceeds from (Repayment of) lease liabilities	(339,183)	(27,094)	(24,384)	(21,946)	(19,751)
Finance costs	(124,389)	(20,332)	(20,332)	(20,332)	(20,332)
Total cash movement for the year	(1,044,773)	(105,860)	(64,863)	(49,890)	(27,912)
Cash at the beginning of the year	1,624,947	580,174	474,315	409,452	359,561
	580,174	474,315	409,452	359,561	331,649

11.5 CAPEX FINANCIAL PLAN

The capital projects funding requirements for FY2023/24 financial years are summarised in the table below, with funding requirements of R2.4 billion.

The lack of investment in Technology, Property and Security infrastructure has placed the organisation at serious risk of non-compliance, risk of maintaining the current revenue streams, a substantial increase in unrecoverable financial losses due to crime-related incidents and an inability to establish a platform for the development and generation of future revenue lines.

Notwithstanding, the majority of SA Post Office capital projects are compliance-driven in nature. Whilst maintaining current revenue streams, the identified projects will establish a modernised and stable base for future revenue development and growth, supporting the digital transformation required for SA Post Office, together with improved fulfilment of our mandate and delivery standards.

The capital projects funding requirement considers the refresh, update and/or renewal of critical Technology, Property and Security infrastructure and software requirements to move the organisation toward attaining the Post Office of Tomorrow.

The priority projects identified for implementation during FY2023/24 are summarised in the table below.

No	Project	Description	Capex Rm
1	Data Centre Remedial	Physical upgrade of the Data Centre	R 60
2	Data Centre Application upgrade	Upgrade of Data Centre software	R 800
3	Data Centre hardware	Upgrade of Data Centre software	R 700
4	Branch hardware replacement (Points of Sale)	Replacement of branch computers and peripherals to support over the counter transactions	R 186
5	POS Software System & Servers	Upgrade the POS software to support future business requirements and embrace a single platform for POS transactions	R 88
6	Laptop and desktops for Admin users	Laptops, PCs and printers	R 57
7	Hybrid Mail Printers	Printers for hybrid mail and server infrastructure including network and applications	R 117
8	Trust Centre Rejuvenation Project	Trust Centre Managed Service, Digital Services, Block Chain Platform, Boarder/Password Control	R 38
9	Digital Business Hubs	Installation of MFDs at branches and establish 120 business centres and internet terminal at SA Post Office branches	R 134

No	Project	Description	Capex Rm	
10	eCommerce Hub in Africa	eCommerce platform for businesses and consumers	R	48
11	Courier Solution	Implementing a new courier service, Route Optimization, International Parcel System	R	45
12	Security infrastructure upgrade Phase 2	Upgraded Branch security Installation of alarms, CCTV, Cash protection devices and time delay safes.	R	144
13	Financial Platform	Develop a Digital Platform to offer financial transactions.	R	10
			R	2,427

12. STRATEGIC RISK PLAN

Post Office of the Future - Strategic Pillars -		Key Focus Areas	Risks	Risk Impact & Consequence Rating	Risk Likelihood / probability	Inherent Risk
Strategic Partnerships	Strategic Partnerships are a crucial enabler to the Post Office of Tomorrow to ensure that the strategic benefits are derived as envisaged	Product and Service Partners (Revenue generating) Infrastructure Partnership (Technology & properties) Channel Partners (Omni-channels, garages, self-services, malls) Business Optimisation Partners (Business improvement, VAT: Recon, SASSA Recons, Productivity Institute, Skills verification) Equity (Funding) Partnerships Training and Development Partners (Educational Institutions)	<p>Deepening Liquidity Risk: inability to meet payment obligations as they fall due.</p> <p>Reputational Risk: unable to secure partnerships due to the corporate image, reduced trust in the business and destruction of brand value.</p> <p>Economic Risk: The risk that the economy will go into recession, poor market conditions allowing non-optimal price / interest / buyers, reduce revenue (e.g. a price war). The risk of economic losses resulting in partnership not being financially viable.</p> <p>Business Risk: strategic misfit ineffective sourcing of preferred partnership in relation to strategic objective and partnership output resulting in partnership being ineffective, making wrong business decisions that may erode SAPO revenue streams. Partnership key performance attributes poorly implement. Contractual requirements of partnership agreements may not result in changes in the operating environment "paper value service". Possible increase in bureaucracy, length of decision making, approval and implementation. Ineffective partnership management and loss of control to strategic partner. Taking wrong business decisions based on poorly investigated / researched business cases. Return on investment envisaged in business cases not realised / overestimated.</p>	Severe	Likely	Very High

Post Office of the Future - Strategic Pillars -		Key Focus Areas	Risks	Risk Impact & Consequence Rating	Risk Likelihood / probability	Inherent Risk
			Procurement Risk: Getting the wrong partner due to "over sale" by partner, SAPO driven to being a "price taker" = Opportunity costs and not attaining optimal value. Loss of rights / intellectual property / loss of skilled staff			
Modernisation and Digitalisation	Post Office of the Tomorrow will be oriented towards Eco-system Convergence instead of product oriented. The future of the Post Office lies in the financial payment and logistics space. This future state will see the Post Office more inclined to customise solutions to meet modern society's evolving needs.	Logistics Sales Operations	<p>Implementation Risk: Ineffective implementation plan: failing to meet objectives and targets in a timely and cost effective manner due to poor execution and ineffective monitoring and oversight</p> <p>Possible underestimation of the true extend and depth of critical investment deficit or backlog towards optimal state of modernisation may result in project delays and increased cost due to poor estimation. Inadequate funding or budget allocation. Unforeseen delays and increased costs.</p> <p>Procurement risk: making wrong business procurement decisions or executing decisions poorly in respect of strategic fit in relation to modernisation/digitisation choices for the business, ... Agility to go to market and adapting and adopting to cutting edge innovation may lead to being undercut by competitors. Risk of existing revenue stream coming to the end of their lifecycle with no clear product replacement.</p> <p>Infrastructure Risk: IT infrastructure service disruption, downtime or failure with costly upgrade, maintenance and repairs. Physical infrastructure poor localities, maintenance failure and declining footprint.</p> <p>Political Risk: political isolation and</p>	Major	Likely	Very High

Post Office of the Future - Strategic Pillars -		Key Focus Areas	Risks	Risk Impact & Consequence Rating	Risk Likelihood / probability	Inherent Risk
			change whereby company's none relevance in supporting political objectives. SOE's debt burden on state Demand Risk: Lower than expected demand for our service or products, product failure on the market. Not meeting client's requirements Product Liability Risk: incur legal liability related to products and services Profit Risk: High investment. The risk that profits will fall or not realise directly affecting growth potential of SAPO. Energy crisis: Unstable power supply leading to erratic business interruption			
Logistics Centre	From a conveyor of letter-post to an integrated logistics service provider	SA Post Office will re-establish its presence within the parcel business informed by (1) Restoring customer confidence and attract new customers; and (2) optimal and competitive service delivery	Competitor Risk: market space limited due to large number of established competitors. Pricing flexibility. E-Substitution: digital offering displace the need for physical letter with a consequential decline in volumes Fleet Risk: High cost to maintain active fleet and inability to service contractual obligations Inability to maintain optimal fleet requirements Logistics Risk: The risk of logistics failure, fail to deliver items to retail / client and mail delivery locations on time. Warehousing Risk: failure of systems and facilities to provide in clients' needs Innovation Risk: The risk that the competition will out innovate us Fraud & Theft Risk: The risk of fraud losses, information security breaches and data safe storage. Loss of client parcels or violation of mail items Carryover Risk: unable to meet delivery standards with increase in	Major	Likely	Very High

Post Office of the Future - Strategic Pillars -		Key Focus Areas	Risks	Risk Impact & Consequence Rating	Risk Likelihood / probability	Inherent Risk
			backlogs and clogging of delivery stream leading to customer exits.			
Logistics Partnership	The SA Post Office is to position itself as the logistics service provider for other logistics service providers	Centre of a Logistic-alliance that will assist businesses to ship freight and packages throughout South Africa, Region, and Internationally	Contractual risk: unable to maintain contractual obligations with partners and leading to premature contract cancellations. Resource Risk: partnership not able to provide or secure necessary resource requirements Procurement Risk: ineffective procurement of preferred partnership agreements and scope creep.	Major	Possible	High
e-Commerce	SA Post Office will further seek to support the growth of the e-commerce business in the region to drive regional e-commerce volumes by establishing itself as a regional e-commerce hub.	Establish an e-Commerce Africa Hub in South Africa so to serve the e-Commerce parcel distribution needs of the continent	Technological Change: The risk that technology investments will become obsolete quicker than the organisation can maintain.. Financial Constraints Risk: Insufficient budget availability to provide / develop intended product and the requisite tools of trade to support customer consumption. Technology Quality Risk: The risk of software and hardware quality problems such as failures, usability issues, effectiveness, breakdowns, operating costs. Platform Risk: The risk of choosing a technology platform that's not fit for purpose. Architectural Risk: The risk that the architecture will fail to meet business objectives or being outdated. Market Risk: less than expected demand/uptake of service / product by market	Severe	possible	High

Post Office of the Future - Strategic Pillars -		Key Focus Areas	Risks	Risk Impact & Consequence Rating	Risk Likelihood / probability	Inherent Risk
Authentication Authority and Trust Centre	SA Post Office to seek official designation as the Authentication Authority and Trust Centre in the country.	Trust Centre Advanced Digital Signature Digital Identity Certificates Verification & Authentication Partnerships	Cyber security Risk: Electronic Impersonations: Interception and misrepresentation of data, Infrastructure Risk: Lack of suitable secured IT and Physical infrastructure Revenue Risk: lower than expected income generated with SITA partnership. Data Security Risk: User access governance inefficiencies Access of confidential data by unauthorised parties. Data theft and unauthorised access of personal information and consequential liability risk. Technological Change: The risk that technology investments will become obsolete. Less than expected market share.	Major	Likely	Very High
Digital Business Hub	SA Post Office outlets into one-stop technology service centres for business and individuals who may not afford technology products at an individual level	Business Services which include printing, photocopying, scanning, faxing and binding. Selling of stationery and consumables. Internet Services and an e-government portal. Community hubs that provide a range of government services will be established in under-served communities.	Product Failure: less than anticipated market uptake of services. Security and Theft: loss of assets through burglaries and inadequate security controls Market Risk: competing with existing franchised businesses Business Desk: not providing in clients stock and consumable needs. Product Quality: inferior products associated with SAPO Product Scope: no standard fit for all localities, flexibility to client needs.	Major	Possible	High

Post Office of the Future - Strategic Pillars -		Key Focus Areas	Risks	Risk Impact & Consequence Rating	Risk Likelihood / probability	Inherent Risk
Corporate Governance	Improve audit outcome	Contribute to an overall improved and sustainable Internal Control, risk management and governance environment. Enhance adherence to corporate governance standards across the organisation	<p>Governance Risk: Adverse audit outcome and inability to maintain Going concern. Extreme debt ratio (unpaid operational liabilities). Inability to meet APP targets, performance and delivery standards due to a myriad of underlying operational challenges. Inadequate application of risk management responses. Increasing legal book</p> <p>Capacity Risk – ineffective operational structure to support business strategy. Pockets of under-capacitation vs. areas of over capacitation</p> <p>Management Risk - effective consequence management vs. adequate provision of tools of trade</p> <p>Compliance Risk: failure to comply with laws and regulations.</p> <p>OHSA Risks - inadequate budget for attaining workplace compliance with OHS regulations.</p>	Major	Likely	High

13. CORPORATE GOVERNANCE AND OTHER PLANS

13.1 ORGANISATIONAL STRUCTURE

The SA Post Office operates in terms of a Group holding structure, with the SA Post Office as the Group holding company, with two operating subsidiaries and several property companies. The subsidiary companies have their own boards comprising SA Post Office non-executive directors, executive directors and the holding company executives appointed in a non-executive capacity to the subsidiary boards. The managing director of the subsidiary company is the executive director of the subsidiary.

The relationship between the subsidiary companies and the SA Post Office, as the shareholder, is governed by the individual shareholders' compacts between the holding company and the subsidiary. The shareholder compact and clarification of roles and responsibilities of the parties outline the performance targets to be met by the subsidiary in terms of the overall annual Corporate Plan for the Group.

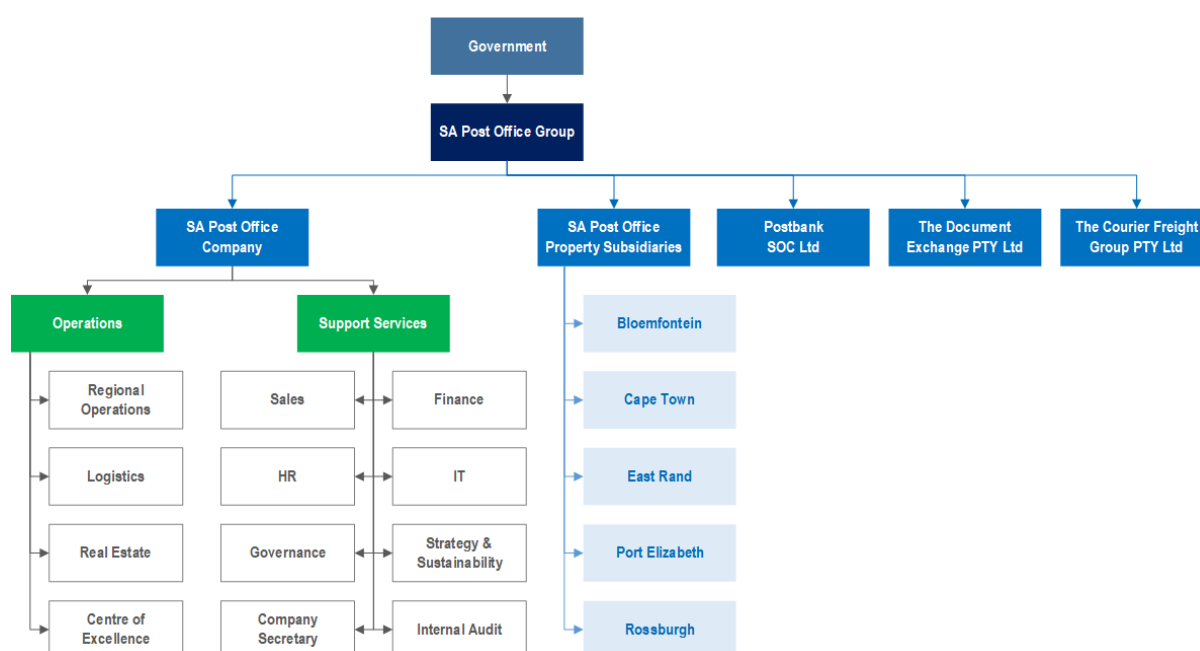


Figure 13-1: SA Post Office Group Structure

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); five property companies: SA Post Office Properties Companies (Pty's) Ltd: Bloemfontein; Cape Town; East Rand; Port Elizabeth and Rossburgh.

13.2 BOARD OF DIRECTORS AND SUB-COMMITTEES

BOARD OF DIRECTORS

The Board of Directors is the Accounting Authority for the SA Post Office and consists of not more than 10 non-executive members and three executive members which are the following: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operations Officer (COO).

The statutory committees of the Board are: the Audit Committee and Risk Committee; Human Resources Transformation, 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, Strategic Turnaround Committee and Procurement Committee and the Stamp Advisory Committee.

AUDIT COMMITTEE AND RISK COMMITTEE

The SA Post Office Audit and Risk Committee was established in terms of section 51(1)(a)(ii) of the Public Finance Management Act No 1 of 1999 (PFMA) as amended and relevant Treasury Regulations, and in accordance with the SA Post Office Memorandum of Incorporation. As a major public entity in terms of Schedule 2 of the PFMA, SA Post Office is required to establish an Audit Committee. The Audit Committee is responsible for, evaluating the Group's financial statements which will be provided to Parliament and other stakeholders, the systems of internal control which management and the Board have established, the audit processes, the risk management framework and assessing the Group's financial performance against its Corporate Plan.

HUMAN RESOURCE AND TRANSFORMATION COMMITTEE, REMUNERATION AND PERFORMANCE COMMITTEE

The Human Resource and Transformation and the Remuneration and Performance Committee was established as a single committee in terms of the SA Post Office Act, section 14(2)(a)(ii) during the financial year. The committee exercises oversight over all aspects relating to human resource management, remuneration and performance within the group.

IT GOVERNANCE COMMITTEE, STRATEGIC TURNAROUND AND PROCUREMENT COMMITTEE

The Committee is responsible for overseeing the board's behalf, the execution of IT-related decisions across the Group, the strategic turnaround and procurement within the delegation of the Board. The committee reports to the Board and is responsible for IT governance across the Group, including monitoring and reviewing IT policies

and practices to ensure that the required IT support is in place and that IT is positioned as a key enabler for business. The Committee is responsible to the Board for overseeing the overall strategic planning, budget and reporting process, stewardship and related reporting. The Committee is further accountable to exercise oversight on initiatives implemented to address strategic issues identified from time to time. Members are appointed by the SA Post Office Group Board of Directors and comprise at least three non-executive members of the Board on a maximum of three years.

The Committee also reviews and exercises oversight over procurement which is within the delegation of the Board.

STAMP ADVISORY COMMITTEE

The Stamp Advisory Committee (SAC) advises the Minister of Digital Communications and Digital Technologies on the South African annual stamp issue program and related issues. The SAC comprises specialists in philately, representatives from Digital Communications and Digital Technologies, and a SA Post Office Group Board representative. This committee meets four times a year and, on an ad, -hoc basis if required.

DOCUMENT EXCHANGE GROUP (DOCEX) BOARD

The Document and Exchange Group (Docex) is an operating subsidiary company of the South African Post Office. Docex has its own Board of Directors, which is accountable to the SA Post Office Group, the sole Shareholder of Docex.

13.3 DELEGATION OF AUTHORITY

As the accounting authority, the SA Post Office Board has unfettered powers to direct and control the business of the company. The Board delegates the day-to-day management to executive management. However, the Board, at all times, retains full and effective control over the direction and performance of the organisation.

Although the Board's ultimate accountability is to lead and manage the Group, some of the responsibilities are delegated to Executive Management. In this regard, to manage the South African Post Office Group's business affairs, the delegated responsibilities are managed through established governance structures at the Board and Executive Committee level. The Board has delegated certain of its powers to the Accounting Officer – the Group Chief Executive Officer - to whom they have authorised to further sub-delegate to management in line with the SA Post Office Group policy: Delegation of Authority Framework. At the same time, the Board retains a degree of power to control management and, subsequently, the organisation. The

Board, in collaboration with management, also directs the SA Post Office Group corporate strategy.

The Board may, in instances of crises within the company, revoke any powers granted to management to stabilise the organisation. The Board may also withdraw any powers conferred to any official in line with the Board's role as the Accounting Authority.

The SA Post Office Board has developed a clear definition of the levels of materiality and significance to determine the scope of delegation of authority and ensure that the Board reserves specific powers and authority to itself. The delegated authority from the Board is in writing, is reviewed and updated regularly.

13.4 THE SA POST OFFICE GROUP SUBSIDIARY OVERVIEW

13.4.1 Postbank SOC Ltd

Postbank SOC Ltd is mandated to provide for the inclusion of financially excluded members of the nation to actively participate in the economy. As of 1 April 2019, Postbank was incorporated as a separate legal entity as per section 6 of the South African Postbank Act 9 of 2010 (Postbank Act). The separation between the SA Post Office and Postbank SOC is underway and Postbank is establishing the required business components to enable it to operate as an independent company.

13.4.2 The Document Exchange (Pty) Ltd

The Document Exchange Pty Ltd (Docex) is a subsidiary of the South African Post Office Group. Docex is licensed to operate in the SA postal sector's competitive segment, referred to as the unreserved area. On this basis, Docex is in direct competition with private sector companies. Docex has differentiated itself in the market by operating within a niche segment of the unreserved postal area by specialising in the secure collection, processing and delivery of confidential and sensitive documents via a secure closed network distribution network. Currently, Docex is the market leader within this niche segment of the unreserved postal sector. However, evolving market trends and increasing competition from digital alternative is driving the current modernisation of Docex.

13.4.3 The Courier and Freight Group

The Courier & Freight Group (Pty) Limited (CFG) is a wholly owned subsidiary of The South African Post Office (SOC) Limited. CFG has been experiencing financial difficulties for a number of years and mainly depended on financial assistance from the SA Post Office. The Board of the SA Post Office has taken a resolution to transfer the business of CFG back into SA Post Office with the effect that the CFG legal entity will cease to exist in its current form and the entire business operations will be integrated into the SA Post Office.

CFG does not have adequate financial resources to continue in operation for the foreseeable future on a stand-alone basis, given that the entity will be liquidated as a business once approval has been obtained from the Minister.

Approval will be sought from the Minister as required by section 54 of the Public Finance Management Act ("PFMA"). The SA Post Office Board has resolved to move the staff of CFG onto the SA Post Office payroll with effect from 01 September 2016.

SA Post Office is the biggest creditor of CFG making up 94% of its total liabilities (i.e. R730m of total R780m of CFG liabilities).

The CFG entity still remains technically insolvent and for all intents and purposes, is non-operational.

13.4.4 SA Post Office Properties Subsidiary Companies

SAPOS Properties (Bloemfontein) (Pty) Ltd

The company's holding company is South African Post Office (SOC) Limited which holds 100% of the company's equity.

The company shares the same bank account as the SA Post Office, and relies on SA Post Office for shared services such as HR management, ITC management and Executive Management support.

The company is in a sound financial position, and it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

Income statement (R'000)	Actuals 2022	Forecast 2023	Budget 2024	Budget 2025	Budget 2026
Revenue	0	0	0	0	0
Property revenue	0	0	0	0	0
Sundry revenue	0	0	0	0	0
Expenses	2,122	77	0	0	0
Property expenses	73	77	0	0	0
Depreciation	0	0	0	0	0
Sundry expense	2,049	0	0	0	0
Operating Profit / (Loss)	(2,122)	(77)	0	0	0
Taxation	413	0	0	0	0
Net profit / (loss) after tax	(1,709)	(77)	0	0	0

Note: Property to be transferred to SAPO. Board approval obtained. Submission to DCDT for approval in progress. Anticipate transfer to be concluded before 31 March 2023

Statement of Financial Position' (R'000)	Actuals 2022	Forecast 2023	Budget 2024	Budget 2025	Budget 2026
ASSETS					
Non-current assets					
Investment properties	3,536	0	0	0	0
Deferred tax asset	0	0	0	0	0
	3,536	0	0	0	0
Current assets					
Trade and other receivables	4	0	0	0	0
	4	0	0	0	0
Non-current assets held for sale					
TOTAL ASSETS	3,540	0	0	0	0
Equity and Liabilities					
Equity					
Share capital	0	0	0	0	0
Reserves	1,621	0	0	0	0
Retained earnings	877	0	0	0	0
	2,498	0	0	0	0
Liabilities					
Non-Current Liabilities					
Deferred tax	529	0	0	0	0
	529	0	0	0	0
Current liabilities					
Trade & other payables	513	0	0	0	0
	513	0	0	0	0
Total Liabilities	1,042	0	0	0	0
Total Equity and Liabilities	3,540	0	0	0	0

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

The company's holding company is South African Post Office (SOC) Limited which holds 100% of the company's equity.

The company shares the same bank account as the SA Post Office, and relies on SA Post Office for shared services such as HR management, ITC management and Executive Management support.

The company is in a sound financial position and has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

Income statement (R'000)	Actuals 2022	Forecast 2023	Budget 2024	Budget 2025	Budget 2026
Revenue	6,530	563	0	0	0
Interest revenue	0	0	0	0	0
Property revenue	563	563	0	0	0
Sundry revenue	5,967	0	0	0	0
Expenses	350	367	0	0	0
Property expenses	350	367	0	0	0
Bank charges	0	0	0	0	0
Depreciation	0	0	0	0	0
Sundry expense	0	0	0	0	0
Operating Profit / (Loss)	6,180	196	(0)	(0)	(0)
Taxation	(1,340)	(49)	0	0	0
Net profit / (loss) after tax	4,840	147	(0)	(0)	(0)

Note: Property to be transferred to SAPO. Board approval obtained. Submission to DCDT for approval in progress. Anticipate transfer to be concluded before 31 March 2023

Statement of Financial Position' (R'000)	Actuals 2022	Forecast 2023	Budget 2024	Budget 2025	Budget 2026
ASSETS					
Non-current assets					
Investment properties	23,117	0	0	0	0
Operating lease asset	0	0	0	0	0
Deferred tax asset	0	0	0	0	0
	23,117	0	0	0	0
Current assets					
Operating lease asset	30	0	0	0	0
Trade and other receivables	624	0	0	0	0
Current tax asset	0	0	0	0	0
	655	0	0	0	0
Non-current assets held for sale					
TOTAL ASSETS	23,772	0	0	0	0
Equity and Liabilities					
Equity					
Share capital	0	0	0	0	0
Reserves	4,740	0	0	0	0
Retained earnings	14,147	0	0	0	0
	18,887	0	0	0	0
Liabilities					
Non-Current Liabilities					
Deferred tax	4,726	0	0	0	0
	4,726	0	0	0	0
Current liabilities					
Current tax payable	0	0	0	0	0
Financial liabilities	0	0	0	0	0
Trade & other payables	158	0	0	0	0
	158	0	0	0	0
Total Liabilities	4,884	0	0	0	0
Total Equity and Liabilities	23,772	0	0	0	0

SAPOS Properties (East Rand) (Pty) Ltd

The company's holding company is South African Post Office (SOC) Limited which holds 100% of the company's equity.

The company shares the same bank account as the SA Post Office, and relies on SA Post Office for shared services such as HR management, ITC management and Executive Management support.

The company is in a sound financial position and has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

Income statement (R'000)	Actuals 2022	Forecast 2023	Budget 2024	Budget 2025	Budget 2026
Revenue	116	0	0	0	0
Property revenue	0	0	0	0	0
Sundry revenue	116	0	0		
Expenses	7,308	1,623	0	0	0
Property expenses	1,545	1,623	0	0	0
Bank charges	0	0	0	0	0
Sundry expense	5,762	0	0	0	0
Operating Profit / (Loss)	(7,192)	(1,623)	0	0	0
Taxation	1,640	0	0	0	0
Net profit / (loss) after tax	(5,552)	(1,623)	0	0	0

Note: Property to be transferred to SAPO. Board approval obtained. Submission to DCDT for approval in progress. Anticipate transferr to be concluded before 31 March 2023

Statement of Financial Position' (R'000)	Actuals 2022	Forecast 2023	Budget 2024	Budget 2025	Budget 2026
ASSETS					
Non-current assets					
Investment properties	45,014	0	0	0	0
Operating lease asset	0	0	0	0	0
	45,014	0	0	0	0
Current assets					
Operating lease asset	0	0	0	0	0
Trade and other receivables	0	0	0	0	0
Current tax asset	110	0	0	0	0
	110	0	0	0	0
Non-current assets held for sale					
TOTAL ASSETS	45,123	0	0	0	0
Equity and Liabilities					
Equity					
Share capital	0	0	0	0	0
Reserves	8,617	0	0	0	0
Retained earnings	23,182	0	0	0	0
	31,799	0	0	0	0
Liabilities					
Non-Current Liabilities					
Deferred tax	8,140	0	0	0	0
	8,140	0	0	0	0
Current liabilities					
Current tax payable	0	0	0	0	0
Trade & other payables	5,184	0	0	0	0
	5,184	0	0	0	0
Total Liabilities	13,324	0	0	0	0
Total Equity and Liabilities	45,123	0	0	0	0

SAPOS Properties (PE) (Pty) Ltd

The company's holding company is South African Post Office (SOC) Limited which holds 100% of the company's equity.

The company shares the same bank account as the SA Post Office, and relies on SA Post Office for shared services such as HR management, ITC management and Executive Management support.

The company is in a sound financial position and has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

Income statement (R'000)	Actuals 2022	Forecast 2023	Budget 2024	Budget 2025	Budget 2026
Revenue	2,629	473	0	0	0
Property revenue	473	473	0	0	0
Sundry revenue	2,156	0	0	0	0
Expenses	155	162	0	0	0
Property expenses	154	162	0	0	0
Bank charges	1	1	0	0	0
Depreciation	0	0	0	0	0
Sundry expense	0	0	0	0	0
Operating Profit / (Loss)	2,474	311	0	0	0
Taxation	(615)	(78)	0	0	0
Net profit / (loss) after tax	1,859	233	0	0	0

Note: Property sold and in the process of being transferred to the purchaser. Anticipate transferr to be concluded before 31 March 2023

Statement of Financial Position' (R'000)	Actuals 2022	Forecast 2023	Budget 2024	Budget 2025	Budget 2026
ASSETS					
Non-current assets					
Investment properties	4,500	0	0	0	0
Operating lease asset	0	0	0	0	0
	4,500	0	0	0	0
Current assets					
Operating lease asset	0	0	0	0	0
Trade and other receivables	891	0	0	0	0
Current tax asset	8	0	0	0	0
	899	0	0	0	0
Non-current assets held for sale					
TOTAL ASSETS	5,399	0	0	0	0
Equity and Liabilities					
Equity					
Share capital	0	0	0	0	0
Reserves	2,175	0	0	0	0
Retained earnings	2,401	0	0	0	0
	4,576	0	0	0	0
Liabilities					
Non-Current Liabilities					
Deferred tax	778	0	0	0	0
	778	0	0	0	0
Current liabilities					
Operating lease liability	0	0	0	0	0
Current tax payable	0	0	0	0	0
Trade & other payables	46	0	0	0	0
	46	0	0	0	0
Total Liabilities	823	0	0	0	0
Total Equity and Liabilities	5,399	0	0	0	0

SAPOS Properties (Rossburgh) (Pty) Ltd

The company's holding company is South African Post Office (SOC) Limited which holds 100% of the company's equity.

The company shares the same bank account as the SA Post Office, and relies on SA Post Office for shared services such as HR management, ITC management and Executive Management support.

The company is in a sound financial position and has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

Income statement (R'000)	Actuals 2022	Forecast 2023	Budget 2024	Budget 2025	Budget 2026
Revenue	8,340	360	0	0	0
Property revenue	360	360	0	0	0
Sundry revenue	7,980	0	0	0	0
Expenses	316	332	0	0	0
Property expenses	300	315	0	0	0
Bank charges	16	17	0	0	0
Sundry expense		0	0	0	0
Operating Profit / (Loss)	8,024	27	0	0	0
Taxation	(1,312)	0	0	0	0
Net profit / (loss) after tax	6,711	27	0	0	0

Note: Property sold and in the process of being transferred to the purchaser. Anticipate transferr to be concluded before 31 March 2023

Statement of Financial Position' (R'000)	Actuals 2022	Forecast 2023	Budget 2024	Budget 2025	Budget 2026
ASSETS					
Non-current assets					
Investment properties	0	0	0	0	0
Operating lease asset	0	0	0	0	0
	0	0	0	0	0
Current assets					
Operating lease asset	0	0	0	0	0
Trade and other receivables	1,215	0	0	0	0
Current tax asset	1,858	0	0	0	0
	3,072	0	0	0	0
Non-current assets held for sale	17,600	0	0	0	0
TOTAL ASSETS	20,672	0	0	0	0
Equity and Liabilities					
Equity					
Share capital	0	0	0	0	0
Reserves	8,027	0	0	0	0
Retained earnings	9,659	0	0	0	0
	17,686	0	0	0	0
Liabilities					
Non-Current Liabilities					
Operating lease liability	0	0	0	0	0
Financial liabilities	0	0	0	0	0
Deferred tax	2,879	0	0	0	0
	2,879	0	0	0	0
Current liabilities					
Current tax payable	0	0	0	0	0
Financial liabilities	0	0	0	0	0
Trade & other payables	107	0	0	0	0
	107	0	0	0	0
Total Liabilities	2,986	0	0	0	0
Total Equity and Liabilities	20,672	0	0	0	0

14. MATERIALITY FRAMEWORK

Framework of acceptable levels of materiality and significance for the purpose of the interpretation of and compliance with the Public Finance Management Act, No 1 of 1999, as approved by the Board and applicable from the 2017/18 financial year.

SA Post Group Materiality Framework

PROPOSED FRAMEWORK		RESULTING FIGURES FOR 2020/21	UNDERLYING PRINCIPLES
Section 55 Material Disclosure, in the 2019/20 Annual Report:			
<ul style="list-style-type: none"> Losses due to criminal conduct 	<p><u>Quantitative:</u></p> <p>Capital expenditure:</p> <p>10% of the capital expenditure budget line item</p> <p>Other expenditure:</p> <p>10% of the related operating expenditure budget line item,</p> <p>1% of Staff Expenses</p> <p>5% of Transport Costs</p>	<p>(Depending on the related budget line item)</p> <p>Calculated at an average of R30 million</p>	<ul style="list-style-type: none"> Section 55, as identified, will evaluate each loss due to criminal conduct, irregular expenditure or fruitless and wasteful expenditure, in context of the expense category to which it relates to determine whether it qualifies for disclosure in the Annual Report as required. The total value of any identified fruitless or wasteful expenditure will also be reported as well as cases due to criminal conduct In line with good business practice, as well as the requirements of the Act, the SA Post Office is committed to the prevention, detection of and taking appropriate action on all irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the SA Post Office (Sec 51(1)(b)(ii)). To this end the SA Post Office's systems and processes are designed and continually reviewed to
<ul style="list-style-type: none"> Irregular expenditure 	No materiality. All to be disclosed.	All to be disclosed	

PROPOSED FRAMEWORK		RESULTING FIGURES FOR 2020/21	UNDERLYING PRINCIPLES
<ul style="list-style-type: none"> Fruitless and wasteful expenditure 	No materiality. All to be disclosed	irrespective of amounts involved	ensure the prevention and detection of all such expenditure, irrespective of the size thereof.
Significant for Section 54 – Information and approval by the Minister of “qualifying transactions”, i.e.:			
<ul style="list-style-type: none"> <i>participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.</i> <i>acquisition or disposal of a significant shareholding in a company;</i> <i>acquisition or disposal of a significant asset.</i> <i>commencement or cessation of a significant business activity; and</i> a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement. 	<p><u>Quantitative:</u></p> <p>Qualifying transactions based on the guideline:</p> <ul style="list-style-type: none"> 1% - 2% of the value of total assets. 0.5% - 1% of total revenue; or 2% - 5% of profit after tax. <p><u>Qualitative:</u></p> <p>A qualifying transaction may also be considered significant based on considerations other than financial when, in the opinion of the Board, it is considered to be significant for the application of section 54.</p> <p>The decision on which non-financial issues may be considered at any time requires careful judgment at a strategic level, and therefore rests with the Board as a representative body of the shareholder.</p>	<p>R 120 million</p> <p>Determination of qualitative significance is considered based on Practice Note 4 of 2009/10.</p>	<ul style="list-style-type: none"> <i>The PFMA is not intended to affect the autonomy of the organisation, but its stated objectives are to ensure transparency, accountability and sound management of revenue, expenditure, assets and liabilities of the institutions to which the Act applies. Therefore, the legislature could not have intended for the public entities to report and seek approval on matters of a daily basis;</i> <i>The business of the SA Post Office is conducted within the framework of the mandate, objects and powers contained in the SA Post Office Act, as well as the business and financial direction set out in the corporate plan;</i> <i>The SA Post Office also has defined accountability and approval structures from the Board, as the shareholder representative, to the CEO and management in a form of a Generic Decision Framework</i> <i>The responsibility for the day-to-day management of the SA Post Office vests in line management through a clearly defined organisational structure and through formally delegated authorities in line with the Generic Decision Framework reviewed annually</i>

15. FRAUD PREVENTION PLAN

SA Post Office has taken a zero tolerance approach towards crime and directly supports the National Crime Prevention Strategy (1995) of the South African Government and is deployed in close co-operation and partnership with other policing and intelligence agencies. SA Post Office works with all roll players in the market to deliver the service. The changing operational environment requires an agile crime prevention plan that encompasses employees, physical, cyber, clients and systems.

Effective communication and adherence to policy and procedures combined with Crime intelligence is a critical tool to detect and prevent criminal activities by individuals and syndicate elements that continually vary their initiatives and modus operandi in targeting specific products/assets.

National Fraud Prevention Plan

The SA Post Office Group's Fraud Prevention Plan (NFPP) is aligned in accordance to Par.14 of the National Treasury Practice Note 4 of 2009/2010 issued in terms of Section 52 of the Public Finance Management Act as well that of King IV principles.

The National Fraud Prevention Plan (NFPP) of the SA Post Office is not only limited to compliance to the Public Finance Management Act (PFMA) and the Treasury Regulation 29.1.1., but encompasses all other Legislation, Common Law as well as Internal Policies and Procedures directed at the prevention and detection of fraud and dishonesty.

In doing business, the SA Post Office expects all its employees and organisations that are in any way associated with it to be honest and fair in their dealings with and on behalf of the organisation, its clients and customers.

The following Governance Structures are in place.

- Board Sub-Committees: Social and Ethics Committee and Audit and Risk Committee.
- SA Post Office Executive Committee (EXCO); and
- SA Post Office Financial Misconduct Committee (FMC)

SA Post Office is serious about crime prevention and is embarking on multiple projects that shall detect and prevent fraudulent and criminal activities.

The South African Post Office is also committed to improve its Branch physical security infrastructure, enhance its operating systems thereby minimizing manual manipulation of systems as well as enhanced compliance and enforcement of control measures.

The Operational Fraud Prevention Activity Plan as approved by the Board of Directors, provides guidance to enable the management to identify fraud risks, control

failures as well as risk causes, with the objective to develop fraud mitigation actions and to improve the control environment.

16. COMMUNICATION STRATEGY

The Communications Business Unit has embarked on a project to relaunch the Post Office brand and improve brand equity. Central to this is the positioning of the Post Office as a reliable, trustworthy and cost-effective service provider.

The most important tool for this is social media, where the business unit has already made significant strides in portraying the company as caring, responsive and effective to customers. The company has 95,000 followers on social media.

Public relations alone cannot turn the brand image around. For the brand to become synonymous with trustworthiness and reliability, it is essential that:

- Operations must work reliably and efficiently and
- Tools of trade, specifically the IT network and hardware, must be reliable.

Formal broadcast and print media are also used continuously to position leadership and keep the SA Post Office and its products top of mind for customers. These media platforms are used to position the Group CEO as a decisive, engaging and insightful leader.

The following are the building blocks of the SA Post Office brand equity strategy that will be implemented in line with the corporate plan and vision and mission:

- Brand identity
- Brand awareness (awareness of products and services)
- Brand meaning (what the SA Post Office brand should be characterized by or known for)
- Brand performance
- Brand responses (what customers feel and think of the SA Post Office brand/how customers respond to the brand)
- Brand relationship (the level of identification customers have with the SA Post Office brand)

17. SUSTAINABILITY PLAN

The sustainable development vision of SA Post Office is to be recognised amongst the leading companies and SOEs in sustainable development through addressing challenges faced by the planet and mankind fostering the shared value proposition.

The SA Post Office aims to reduce its carbon footprint from every parcel, letter, freight, financial transaction, every square metre of our mail centres. The goal is to reduce 20% of carbon emission by 2030 from 2019 baseline in all scopes of emission (directly and indirectly).

Environmental Strategic Pillar

- Protect the environment.
- Minimise our impact on the environment.
- Utilise our non-renewable resources in a sustainable way.
- Pursue sustainable management best practices.
- Participates in the national debate surrounding sustainable development.
- Environmental sustainability performance continuous improvement

Key Performance Areas: Five (5) Sustainable Goals

