

Strategy Overview Presentation

Parliamentary Portfolio on Communications

16 March 2010

Post Office



We deliver, whatever it takes.



Agenda

- ▶ Chairperson of Board of Directors overview
- ▶ Organizational overview by Group Chief Executive Officer
- ▶ Financial overview by Chief Financial Officer
- ▶ Conclusion



Chairperson of Board of Directors

Ms VF Mahlati

Background information

1991 to 1998

- Initial commercialization era

1999 to 2002

- Strategic management partner era

2005 to 2006

- Repositioning era

2007 onwards

- Growth, development and sustainability



Board priorities 2010

2007 onwards

- Growth, development and sustainability

- Consolidate
- Corporatization planning
- Corporate Citizenship

Mandate and Strategic Imperative

- ▶ Position SAPO to be the delivery arm of Government Services
- ▶ Delivery to all household on an equitable basis and achieve delivery standard targets of 95%
- ▶ Increase public's access to postal services with a new address target of 1.6 million and reposition the branch network
- ▶ Increase access to financial services through Postbank
- ▶ Total human resource management and practices
- ▶ Focussing on diversification, innovation and growth
- ▶ Meet shareholder's expectation of affordable & effective postal service
- ▶ Internal customer and employee satisfaction & a transformed and productive workforce



SA Post Office as catalyst

Challenges

- Economic Crisis – A threat to growth and sustainability
- Human capital development and resource management
- Competitive nature of the business
- Bridging the Digital Divide
- Positioning SA Post Office within the socio-economic challenges of the country
- Expansion of the footprint
- Innovation



Innovation in strategic areas

- ▶ Building an Integrated Multi-Channel Network
- ▶ Strategic approach to Postal Services roll out
- ▶ Investments in systems that enable hybrid operations
 - ▶ Document management to data management and delivery
- ▶ Review of delivery mechanisms
 - ▶ Human Capital and IT platform
- ▶ Developmental Preferential Procurement



Group Chief Executive Officer **Ms M Lefoka**



Mission, vision and values



Vision and Mission

Vision

To be recognized among the leading providers of postal and related services in the world

Mission

We will enable the nation to efficiently connect with the world by distributing information, goods, financial and Government services; leveraging our broad reach and embracing change, technology and innovation



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



Strategy pillars

Corporate strategy

- Restructure the Group into distinct Business Units to achieve focus on growth, innovation and sustainability in order to be relevant to the new economy, mandate, Governments program of action and USO.

Business strategy

- Amend and re-align all governance issues (legal, policies) to support the Corporate strategy

Operational strategy

- Re-arrange all operational processes to achieve efficiency, effectiveness and service excellence in the execution of the Corporate strategy

Support strategy

- Re-focus all support units to support the above strategies at a cost effective and transparent way, whilst adhering and supporting new policies and procedures



Achievements in 2009 and plans for future



2009/10 Achievements

- ▶ Business model implementation on track
- ▶ Triple bottom line reporting implemented as well as measurements (people, planet and profit)
- ▶ Improved focus on Corporate Governance
- ▶ Robust cost management



Focus areas for 2010/11

Groupwide focus areas

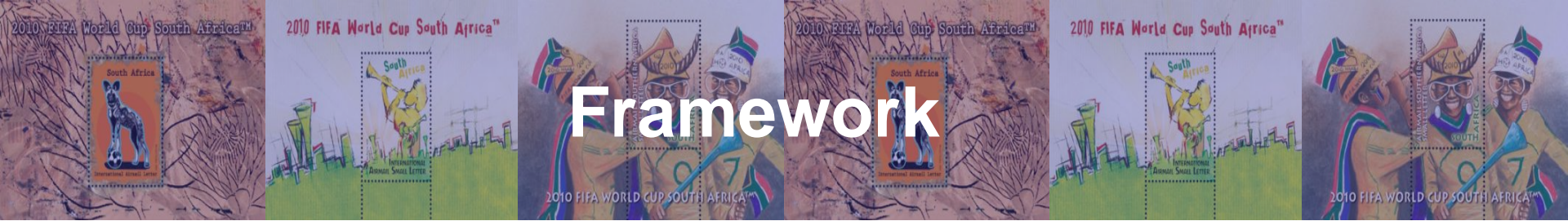
- The financial sustainability of the organisation
- Human capital development and management
- Diversification programs
- Rural development programs
- Youth development programs

Business unit focus areas

- Financial Services
 - The Postbank Corporatisation
 - Legislative process
- Logistics
 - The completion of the initial phase of the Logistics consolidation
 - Sustainability model
- Mail Business
 - Postal addressing
 - Innovation in e-postal
- Consumer Services
 - Continued focus on service excellence
- Information Technology
 - Continued focus in Information Technology Infrastructure



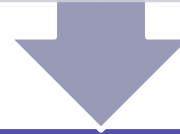
Regulatory framework



Mandate of the SA Post Office

Legislative Framework

Universal Service Obligations



Key Priorities of Government

Government Program of Action

Social Mandate

State of the Nation Address, DOC Programmes



Alignment of Government Program of Action

SAPO Strategic Plan

Key Programmes for Delivery

Regulatory framework

Acts

- Postal Act: Mandate for the provision of Postal and Financial service
- Financial Services Acts: FAIS, FICA and NPS
- Electronic and communications Act: Preferred Authenticated Service Provider
- PFMA
- Occupational Safety Acts
- Credit Act
- Intergovernmental Relations Framework Act 13
- Companies Act
- King III

Legislative changes
in 2010

Regulations

- Postal regulations – ICASA
- Courier Regulations – ICASA
- Financial Regulations – FSB, PASA and Savings Bank Regulations
- World Savings Bank Institute
- Treasury regulations

International

- Universal Postal Regulations
- Kyoto convention
- World Customs standards & convention
- South African Postbank Bill
- South African Post Office Bill



Mandate and alignment to Government's program of action and Dept of Communications priorities

Shareholder alignment

State of the Nation address & Finance Budget	Dept of Communications and Ministers budget speech	Post Office programs
Fighting crime		Preventative programs Crime buster hotline
Improve education	Increase access to ICT	ICT BU 2010 (products and services) E-Cadre, Learnerships, CSI program
Service delivery	Effective monitoring and oversight to SOE's	Compliance Officer Service targets as per mandate
Health		Wellness and HIV programs
Building the country	Improve ICT infrastructure	Trust Centre Investment in IT infrastructure Branch expansion as per mandate Address expansion as per mandate



License requirements



Delivery on license agreement

Post Office expansion 2008/9

- Total value R229m to built 85 new and relocate 81 offices
- Progress to date:

	Actual	In progress	Completed
Built 100 new offices	100	3	97
Relocate 100 offices	100		100

Post Office expansion 2009/10

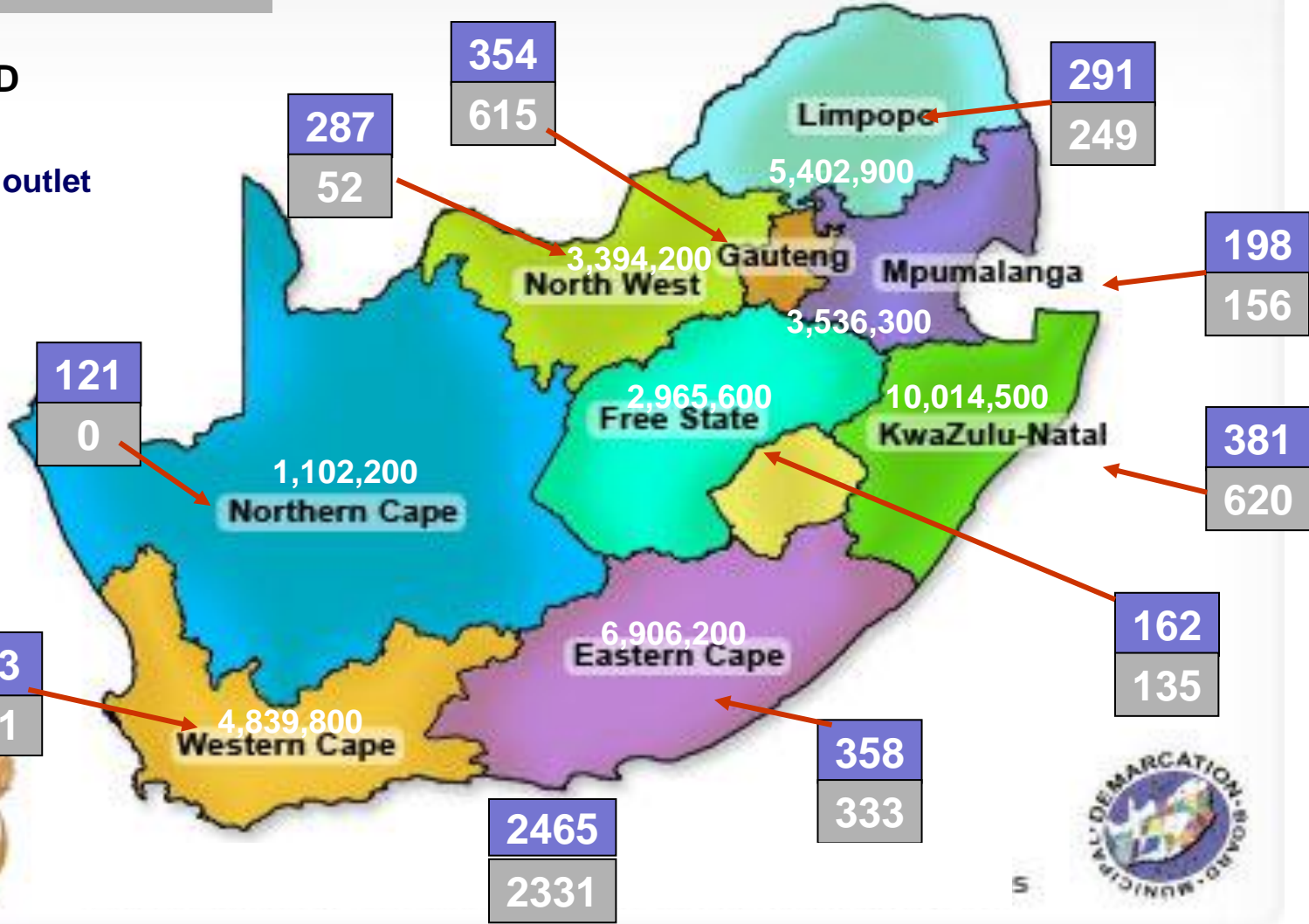
- Total value R47.8m to built 20 new and relocate 11 offices
- In procurement stage

Challenges with current license targets

Based on total population of 47,849,800

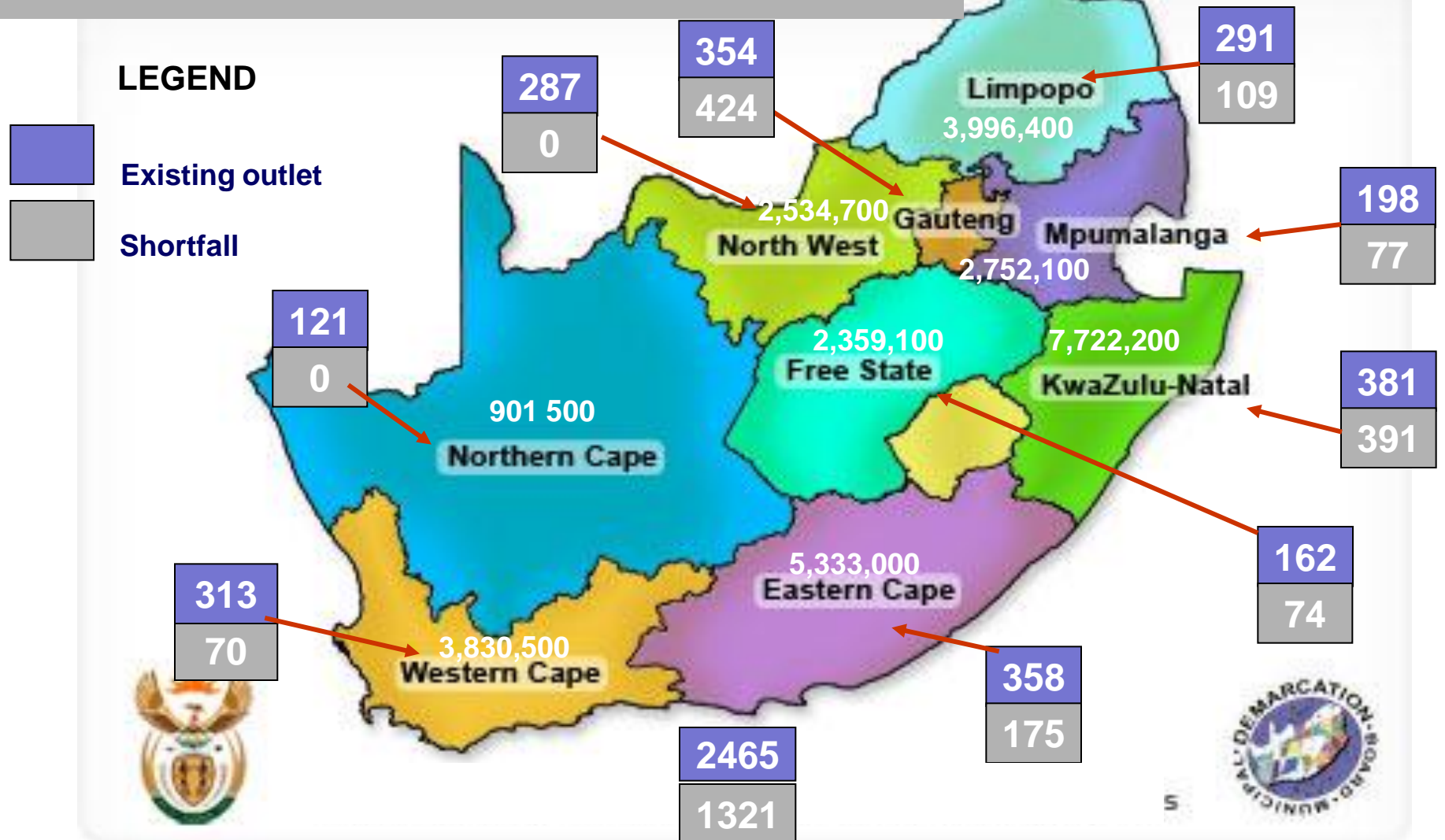
LEGEND

- Existing outlet
- Shortfall



Challenges with current license targets

Based on population of 37,214,200 (which excludes children under the age of 10)

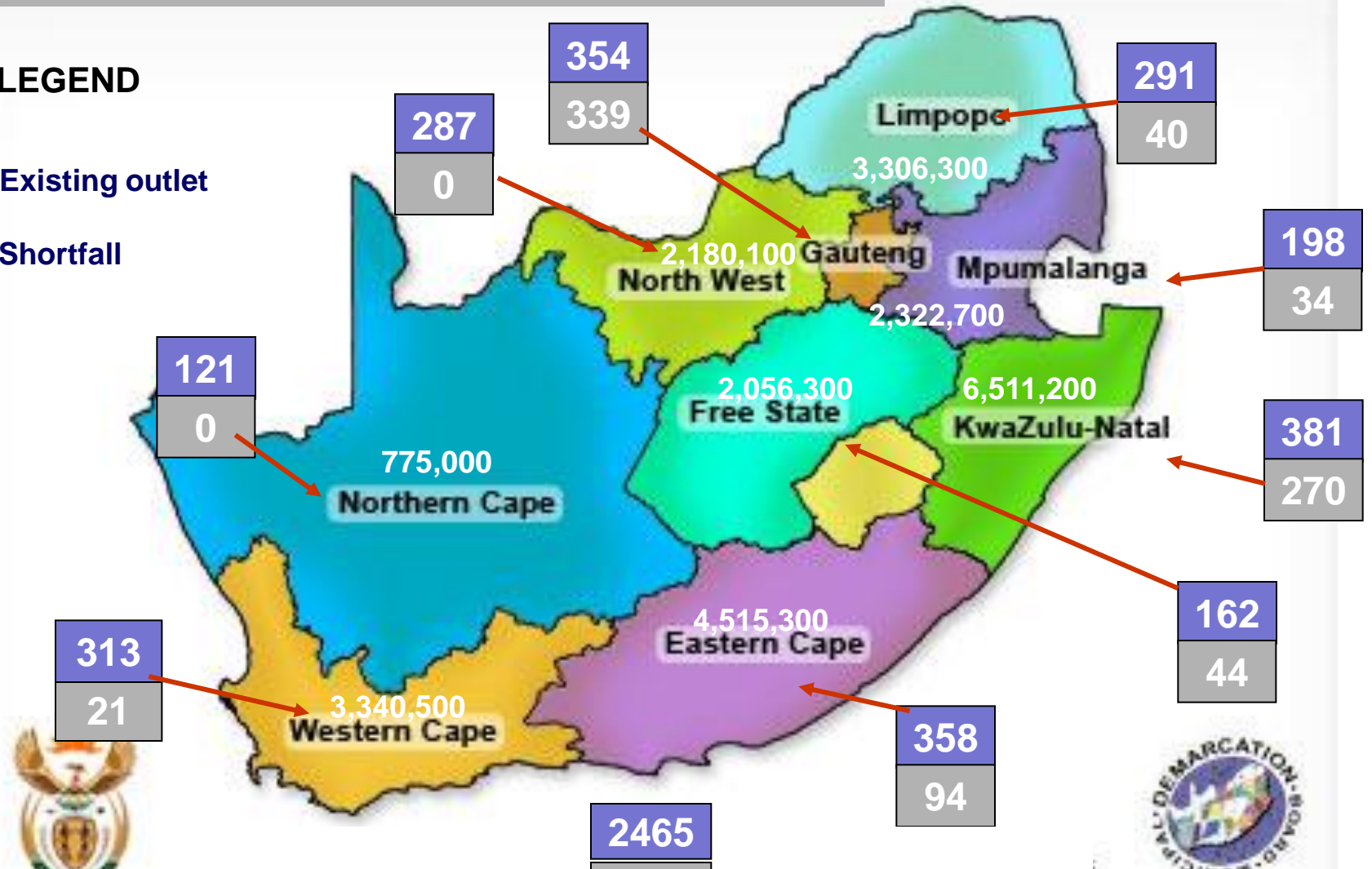


Challenges with current license targets

Based on population of 31,935,400 (which excludes children under the age of 15)

LEGEND

- Existing outlet
- Shortfall





Delivery on license agreement

Address expansion

- Target to create 5.3m over three years
- 1.6m addresses remains for 2010/11
- Deliver to 89% of all households irrespective of dwelling type

Service delivery

- Mail at target 95%, delivering at 96%
- Queue length waiting time of no more than 7 minutes



Community development programs

Contribution to community development programs

Programs	Achievement
Job creation	Local contractors eCadres programs
Access to products and services	Rural addresses expansion program Financial Services (banking, share offers, Ilima) Parcels Government pay slip deliveries (Eastern Cape) Government Services (MVL, fishing licenses, Municipalities)
Access to Physical Infrastructure	Building and renewal of Post Offices Lobby Boxes
ICT access	Email addresses
Corporate social investment	CSI programs Employee volunteerism



Human capital development

RPL and Learnership Programs

Program	Achievement
Recognition of prior learning Payroll Labour relations Postal qualifications	18 17 500
Learnerships AAT Internal Audit Practical management Team Leader Contact centre Monyetla SA Defence Force (Mail handling qualification NQF L3) SA Reserve Bank (Mail Handling qualification NQF L3)	59 33 11 21 15 100 10 21

Youth development program

Youth equipped for future life & career challenges facing them.
91 Grade 12 learners
participated in an empowerment
intervention

- The Intervention focused on & included:
- Strategies for exam preparation
- Principles of personal success
- Guidelines of high performance
- Developing a healthy self esteem
- Study techniques
- Introduced learners to the concept of whole-brain learning
- Exploring & identifying one's thinking style



Support Dept of Communications' youth development E-literacy initiative

Computer literacy skills were provided to the youth in rural areas

- Duration of training: Three weeks
- A total of 40 young people were trained nationally
- Programme curriculum:
 - ICDL (International Computer Drivers License)
 - Curriculum included:
 - Introduction to I.T.
 - MS Word; Excel; PowerPoint
 - Access; Internet & Outlook



Community development program

Digital literacy training for SAPO's SMME suppliers

- Programme objective:
 - To teach and assess the basic concepts and skills needed to use a computer
 - To assist to develop new social and economic opportunities
- Training offered on a voluntary basis
- Initial training completed in April 2009



Community development program

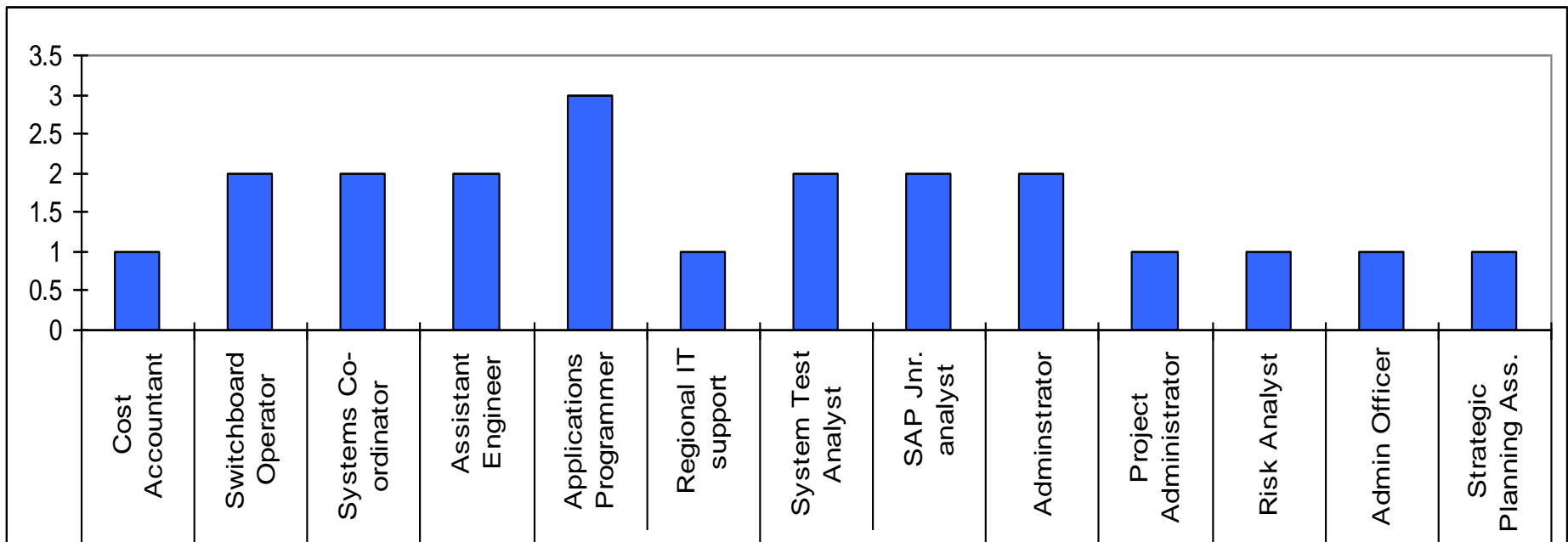
Financial literacy training

- 🔥 **Project Vision:** A unique, but replicable model where two banks consort to create a financial literacy training and support model in three areas of the country which is intended to increase the learners' knowledge about and attitude towards enabling financial products in general. It will equip them with knowledge that will eventually affect their banking behaviour in positive, measureable ways.



Youth development : Graduate program

	2004/5	2005/6	2007/8	2008/9	Total
Placement of graduates	4	17	41	115	177



Development initiatives within SADC Community

SADC International Money Transfer System

- A training manual was developed for training the SADC postal administration employees on the money transfer system
- Training was facilitated within the SADC countries
- Target audience: 15 employees per SADC country
- SADC employees were also trained on basic computer skills using the Microsoft Digital Literacy learning program
- Learning material was developed in English, Portuguese and French

Tópicos do Curso 'Princípios Básicos sobre Computadores'

Lição 1: Introdução aos Computadores

Objectivos

- 1.1. Descrever a importância dos computadores no mundo de hoje.
- 1.2. Identificar os componentes principais de um computador.
- 1.3. Identificar os passos necessários para o arranque de um computador.
- 1.4. Identificar os diferentes grupos de teclas num teclado.
- 1.5. Executar diferentes tarefas, utilizando um rato.

Lição 2: Terminologia Informática Comum

Objectivos

- 2.1. Identificar os principais componentes de hardware de um computador.
- 2.2. Definir um sistema operativo e a sua função.

Rubriques du cours Notions de base en informatique

Leçon 1 : Introduction aux ordinateurs

Objectifs

- 1.1. Décrire l'importance des ordinateurs dans le monde d'aujourd'hui ;
- 1.2. Identifier les principaux composants d'un ordinateur ;
- 1.3. Identifier les étapes pour démarrer un ordinateur ;
- 1.4. Identifier les différents groupes de touches sur un clavier ;
- 1.5. Effectuer plusieurs tâches à l'aide d'une souris.

Leçon 2 : Terminologie informatique courante

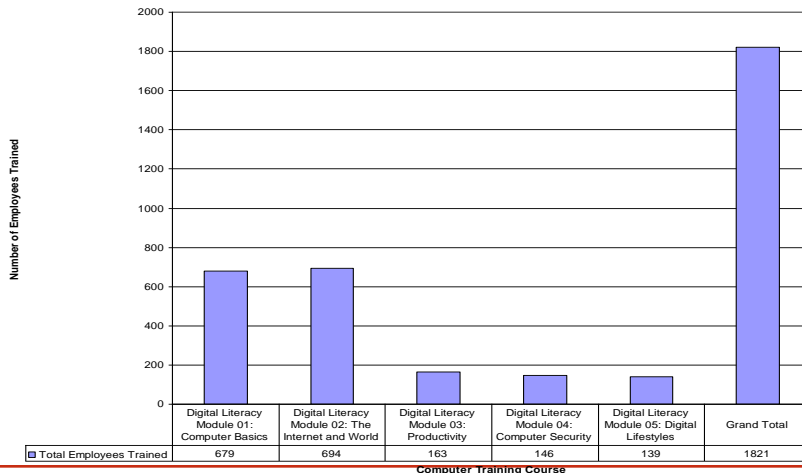
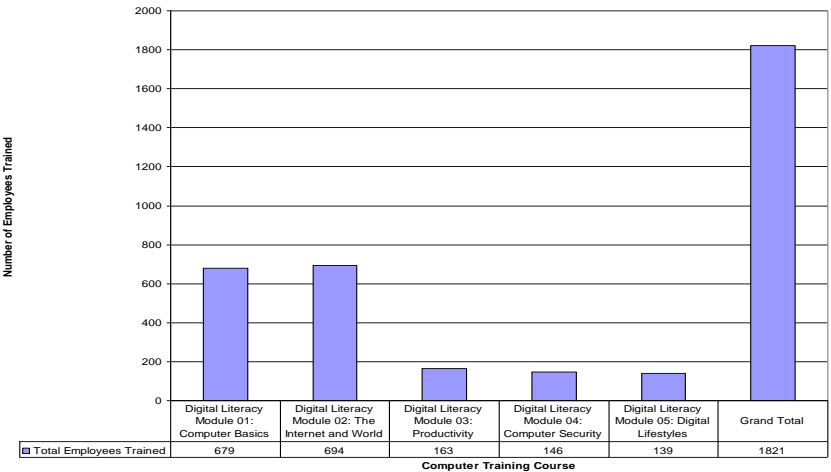
Objectifs

- 2.1. Identifier les principaux composants matériels d'un ordinateur ;
- 2.2. Définir un système d'exploitation et son rôle ;

Bridging the digital divide through e-training and skills development

E-Literacy (Digital Literacy)

- All Branch Managers as they for the first time will be utilizing computers in their respective office
- The project continues in 2010 until all 1500 have received training



E-Skills

- One level above E-Literacy
- Employees who have completed e-literacy training can continue with the ICDL training program provided it is a business requirement
- Course Duration: 21 days



International relations

International relations

Relationship	SAPO's role
PAPU (Pan African Postal Union)	Participate in the following committees - Strategy Board, Secretarial Management, Advisory Board, Philately, e-Services and Financial Services.
SAPOA	Board member and participate in IT, Financial Services, Philately and Mail Circulation Task Teams
CCPA (Conference of Commonwealth Postal Administrations)	African Coordinator
WSBI (World Savings Bank Institute)	Participating from a banking point of view (Postbank)
UPU (Universal Postal Union)	Active member of Postal Operations Council and Council Administration
SADC (South African Development Community)	Participants as operator and also provide Technical advise



Environmental strategy



Environment

- ▶ Strategy is based on five pillars:
 - ▶ Protect the environment
 - ▶ Minimise our impact on the environment
 - ▶ Utilize our non-renewable resources in a sustainable way
 - ▶ Pursue sustainable management practices
 - ▶ Partake in national debate surrounding sustainable development

Initiative	Achievement
<p>Recycling SAPO has launched the Paper Recycling Programme in partnership with Nampak</p>	<p>During the last financial year, SAPO has recycled 290 tons of paper. Nampak reimburse the Post Office at a rate of R350/ton of office waste paper</p>
<p>Tree planting Partnership with Food & Trees for Africa (FTFA)</p>	<p>Plant enough trees to off-set 5% emissions</p>
<p>Climate Change Leadership Awards Purpose is to create awareness and recognize excellence in sustainability</p>	<p>SAPO sponsored the Postbank Environmental Community Awards for Community Based Organizations</p>



Challenges and CSF's



Challenges for 2010

- ❖ Declining Revenue
- ❖ Impact of subsidy reduction on investment program
- ❖ Funding Model
- ❖ Capacity Issues – Technology and Systems
- ❖ Corporate Governance
- ❖ Deregulation
- ❖ Social Marketing
- ❖ USO Sustainability
- ❖ Human Resources
- ❖ Stakeholder Management
- ❖ Transformational Agenda



Critical success factors

- Continue diversification strategy to ensure new revenue streams
- Satisfy our customers by being consistent and innovative, and delivering simple and modern products
- Drive operational excellence throughout the organisation
- Accelerate the implementation of critical initiatives around the new business model
- Develop people capacity and manage transformational culture change
- Protect current revenues strongly in the face of challenging conditions
- Continue to align our priorities to the Post Office's mandate and government programmes
- Contain costs aggressively



Group Chief Financial Officer

Mr N Buick



Preliminary results for 2009/10

- 2009/10 FY – extremely difficult trading conditions locally and internationally
 - CPIX for 2009/10 FY is 7,1%
 - Expenditure has decreased by 2%
 - Revenue decline– 4%
 - Mail revenue 3% growth
 - Logistics 12% decline
 - Interest 29% decline
 - Financial services 3% growth
 - Ops profit will decrease by 26% to R300 million



Response to economic crisis

During the economic crisis, certain cost containment programs were introduced:

- ▶ Review marketing initiatives resulting in 50% reduction year to year
- ▶ Renegotiate bank charges with 22% reduction year to year
- ▶ Review of air travel and other travel savings resulting in 42% reduction year to year
- ▶ Rationalization of routes to deliver efficiencies in transport costs resulting in 13 % reduction year to year

Overview for 2009/10

	Actuals 2008/09 R'000	Budget R'000	Forecast 2009/10 R'000	Var R'000	Var %	Change %
Revenue	5,726,670	6,257,071	5,516,039	(741,032)	(12%)	(4%)
Expenses	5,318,489	5,806,410	5,215,625	590,785	10%	2%
Operating profit	408,181	450,661	300,414	(150,247)	(33%)	(26%)
Non trading items	(42,104)	(67,982)	(51,439)	16,543	24%	(22%)
Net profit /(loss)	366,077	382,679	248,975	(133,704)	(35%)	(32%)



Budget 2010/11

- ❖ Revenue growth 7%
 - ❖ Mail revenue – 8% increase
 - ❖ Tariff increase of 6,7%
 - ❖ CPI 6,1% forecasted
 - ❖ GDP growth of 2,6% anticipated
 - ❖ Volume growth of 1,3%
 - ❖ Logistics revenue – 8% increase
 - ❖ SSC & CFG pricing review (Rural pricing)
 - ❖ CPI 6,1% forecasted
 - ❖ GDP growth of 2,6% anticipated
 - ❖ Organic growth
 - ❖ Financial services revenue – 7% increase
 - ❖ Motor vehicle licenses & SASSA payments
 - ❖ CPI 6,1% forecasted
 - ❖ GDP growth of 2,6% anticipated
 - ❖ Organic growth

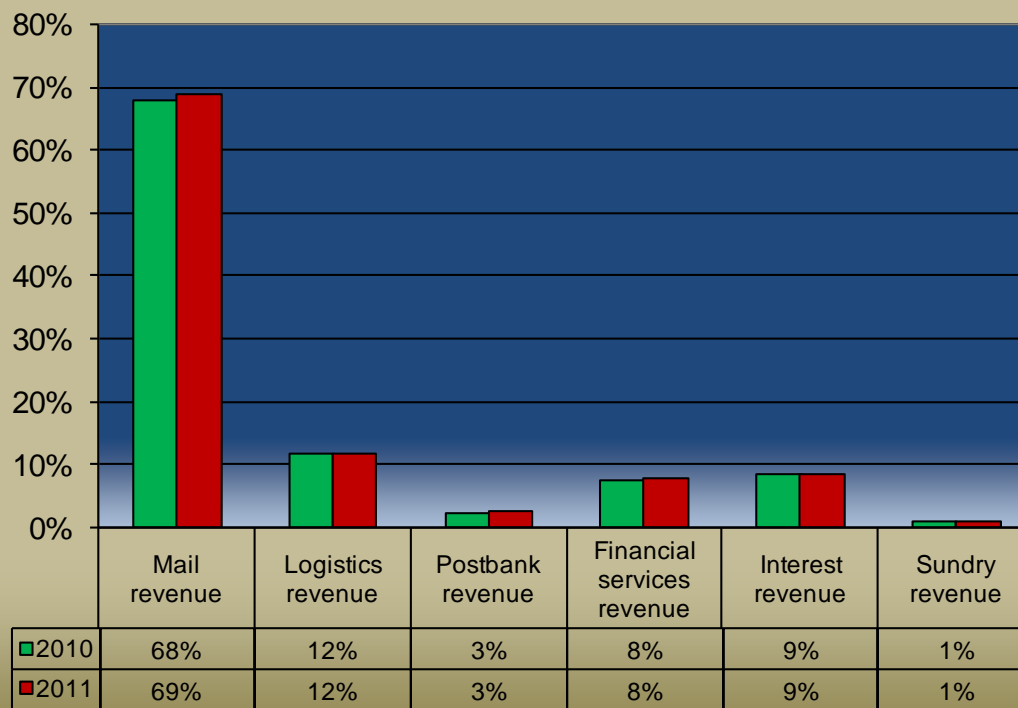


Budget 2010/11

- ❖ Revenue growth 7%
 - ❖ Postbank non interest – 9% increase
 - ❖ Growth in the depositors book of R400 million
 - ❖ GDP growth of 2,6% anticipated
 - ❖ Organic growth
 - ❖ Interest revenue – 6% increase

- ❖ Expenditure increase 7%
 - ❖ Staff costs – 7% increase
 - ❖ External service providers - 5% increase
 - ❖ Transport costs – 6% increase
 - ❖ Accommodation costs – 8% increase.

Revenue analysis



Revenue	2005	2006	2007	2008	2009	2010	2011
Mail revenue	65%	66%	66%	65%	64%	68%	69%
Logistics revenue	16%	16%	14%	13%	13%	12%	12%
Postbank revenue	2%	2%	2%	2%	3%	3%	3%
Financial services revenue	9%	9%	9%	8%	7%	8%	8%
Interest revenue	5%	6%	8%	9%	12%	9%	9%
Sundry revenue	3%	2%	1%	2%	1%	1%	1%

Group budget 2010/11

	March 2008/2009 R'000	Budget 2009/2010 R'000	Forecast 2009/2010 R'000	Budget 2010/2011 R'000	Change 2010/2011 R'000	Change 2010/2011 R'000
REVENUE	5,726,670	6,257,071	5,516,039	5,926,634	410,596	7%
Mail Revenue	3,671,067	3,996,628	3,776,672	4,062,753	286,081	8%
Logistics Revenue	730,107	805,363	640,523	691,765	51,242	8%
Postbank Revenue	153,525	178,453	140,130	152,742	12,612	9%
Financial Services Revenue	412,522	448,163	424,739	454,858	30,119	7%
Interest Revenue	680,290	772,960	480,079	507,387	27,308	6%
Sundry Revenue	79,159	55,503	53,896	57,130	3,234	6%
EXPENDITURE	5,318,489	5,806,410	5,215,625	5,570,129	(354,504)	(7%)
Staff Expenses	2,499,956	2,737,723	2,590,832	2,784,287	(193,455)	(7%)
Training Expenses	32,937	54,754	28,180	44,719	(16,538)	(59%)
External Service Provider	541,072	582,243	468,717	480,989	(12,272)	(3%)
Transport Expenses	618,155	695,191	547,312	578,772	(31,460)	(6%)
Accommodation Expenses	379,766	380,997	423,904	458,029	(34,125)	(8%)
Material and Services	262,717	284,101	284,354	307,626	(23,272)	(8%)
Interest Paid	164,879	170,964	93,267	98,863	(5,596)	(6%)
Depreciation	194,365	201,588	194,705	205,787	(11,082)	(6%)
Marketing	97,173	115,802	70,431	76,857	(6,426)	(9%)
Communication Services	130,383	138,695	129,318	137,077	(7,759)	(6%)
Security Services	121,206	130,485	125,650	133,606	(7,956)	(6%)
International Charges	84,724	87,286	89,618	94,995	(5,377)	(6%)
Travel Expenses	40,977	53,123	23,653	25,104	(1,451)	(6%)
Bank Charges	38,057	40,893	32,129	29,685	2,444	8%
Audit Fees	11,812	12,911	14,639	15,811	(1,171)	(8%)
Cost of Insurance	57,326	57,309	52,635	52,638	(4)	(0%)
Provisions & Write-Offs	(6,736)	12,644	5,758	2,310	3,447	60%
Currency Adjustments	17,152	17,769	6,345	6,746	(401)	(6%)
Sundry Expenses	32,567	31,932	34,178	36,229	(2,051)	(6%)
OPERATING PROFIT / (LOSS)	408,181	450,661	300,413	356,505	56,092	19%
Subsidy	110,000	93,895	112,667	119,428	6,760	6%
Taxation	(124,398)	(112,963)	(104,883)	(120,094)	(15,210)	(15%)
Non operating items	(27,706)	(54,283)	(59,222)	(59,175)	47	0%
NET PROFIT / (LOSS)	366,077	377,311	248,976	296,665	47,689	19%

Group budget till 2015

	March 2008/2009 R'000	Budget 2009/2010 R'000	Forecast 2009/2010 R'000	Budget 2010/2011 R'000	Budget 2011/2012 R'000	Budget 2012/2013 R'000	Budget 2013/2014 R'000	Budget 2014/2015 R'000
REVENUE	5,726,670	6,257,071	5,516,039	5,926,634	6,344,582	6,792,033	7,271,071	7,783,930
Mail Revenue	3,671,067	3,996,628	3,776,672	4,062,753	4,347,146	4,651,446	4,977,048	5,325,441
Logistics Revenue	730,107	805,363	640,523	691,765	743,272	798,630	858,131	922,084
Postbank Revenue	153,525	178,453	140,130	152,742	163,434	174,874	187,115	200,213
Financial Services Revenue	412,522	448,163	424,739	454,858	486,698	520,767	557,220	596,226
Interest Revenue	680,290	772,960	480,079	507,387	542,904	580,907	621,571	665,081
Sundry Revenue	79,159	55,503	53,896	57,130	61,129	65,408	69,986	74,885
EXPENDITURE	5,318,489	5,806,410	5,215,625	5,570,129	5,955,999	6,362,220	6,804,095	7,287,028
Staff Expenses	2,499,956	2,737,723	2,590,832	2,784,287	2,951,344	3,128,425	3,316,131	3,515,098
Training Expenses	32,937	54,754	28,180	44,719	59,027	62,569	66,323	70,302
External Service Provider	541,072	582,243	468,717	480,989	509,849	540,440	572,866	607,238
Transport Expenses	618,155	695,191	547,312	578,772	613,499	650,309	689,327	730,687
Accommodation Expenses	379,766	380,997	423,904	458,029	498,832	543,275	591,681	644,404
Material and Services	262,717	284,101	284,354	307,626	326,083	345,648	366,387	388,370
Interest Paid	164,879	170,964	93,267	98,863	104,795	111,082	117,747	124,812
Depreciation	194,365	201,588	194,705	205,787	244,849	293,889	355,854	434,670
Marketing	97,173	115,802	70,431	76,857	81,468	86,356	91,538	97,030
Communication Services	130,383	138,695	129,318	137,077	145,302	154,020	163,261	173,057
Security Services	121,206	130,485	125,650	133,606	141,622	150,119	159,126	168,674
International Charges	84,724	87,286	89,618	94,995	100,695	106,736	113,140	119,929
Travel Expenses	40,977	53,123	23,653	25,104	26,610	28,206	29,899	31,693
Bank Charges	38,057	40,893	32,129	29,685	31,466	33,354	35,355	37,477
Audit Fees	11,812	12,911	14,639	15,811	16,759	17,765	18,831	19,961
Cost of Insurance	57,326	57,309	52,635	52,638	55,797	59,144	62,693	66,455
Provisions & Write-Offs	(6,736)	12,644	5,758	2,310	2,449	2,596	2,752	2,917
Currency Adjustments	17,152	17,769	6,345	6,746	7,150	7,579	8,034	8,516
Sundry Expenses	32,567	31,932	34,178	36,229	38,403	40,707	43,149	45,738
OPERATING PROFIT / (LOSS)	408,181	450,661	300,413	356,505	388,583	429,813	466,977	496,902
Subsidy	110,000	93,895	112,667	119,428	126,593	0	0	0
Taxation	(124,398)	(112,963)	(104,883)	(120,094)	(127,827)	(100,287)	(106,633)	(110,493)
Non operating items	(27,706)	(54,283)	(59,222)	(59,175)	(62,726)	(66,489)	(70,479)	(74,707)
NET PROFIT / (LOSS)	366,077	377,311	248,975	296,665	324,625	263,038	289,865	311,703

Group balance sheet

	Actuals 2008/2009	Forecast 2009/2010	Budget 2010/2011	Budget 2011/12	Budget 2012/2013	Budget 2013/2014	Budget 2014/2015
	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
ASSETS							
Non-current assets	2,960,961	3,121,253	3,320,566	3,706,406	4,104,001	4,601,197	5,031,979
Property, plant and equipment	1,133,156	1,172,845	1,257,598	1,512,748	1,768,860	2,113,006	2,378,336
Investment properties	18,523	19,680	21,254	22,955	24,791	26,774	28,916
Intangible assets	55,103	59,468	65,415	70,648	76,300	82,404	88,996
Investment subsidiaries	42,615	42,615	42,615	42,615	42,615	42,615	42,615
Investments long term	1,071,020	1,146,588	1,230,588	1,329,035	1,435,358	1,550,186	1,674,201
PRMA assets	456,799	518,562	549,676	582,656	617,616	654,673	693,953
Uthingo investment	2,250	0	0	0	0	0	0
Deferred tax asset	181,495	161,495	153,420	145,749	138,462	131,539	124,962
Current assets	5,565,923	5,998,580	6,314,236	6,735,264	7,028,597	7,333,171	7,768,794
Inventories	59,190	56,889	59,733	62,720	65,856	69,149	72,606
Trade & non trade receivables	541,417	666,065	699,368	734,337	778,397	825,101	874,607
Short term investments	4,634,547	4,989,398	5,398,879	5,862,683	6,068,934	6,346,875	6,726,414
Cash and cash equivalents	330,769	286,228	156,255	75,524	115,410	92,046	95,167
TOTAL ASSETS	8,526,884	9,119,833	9,634,801	10,441,670	11,132,598	11,934,367	12,800,773

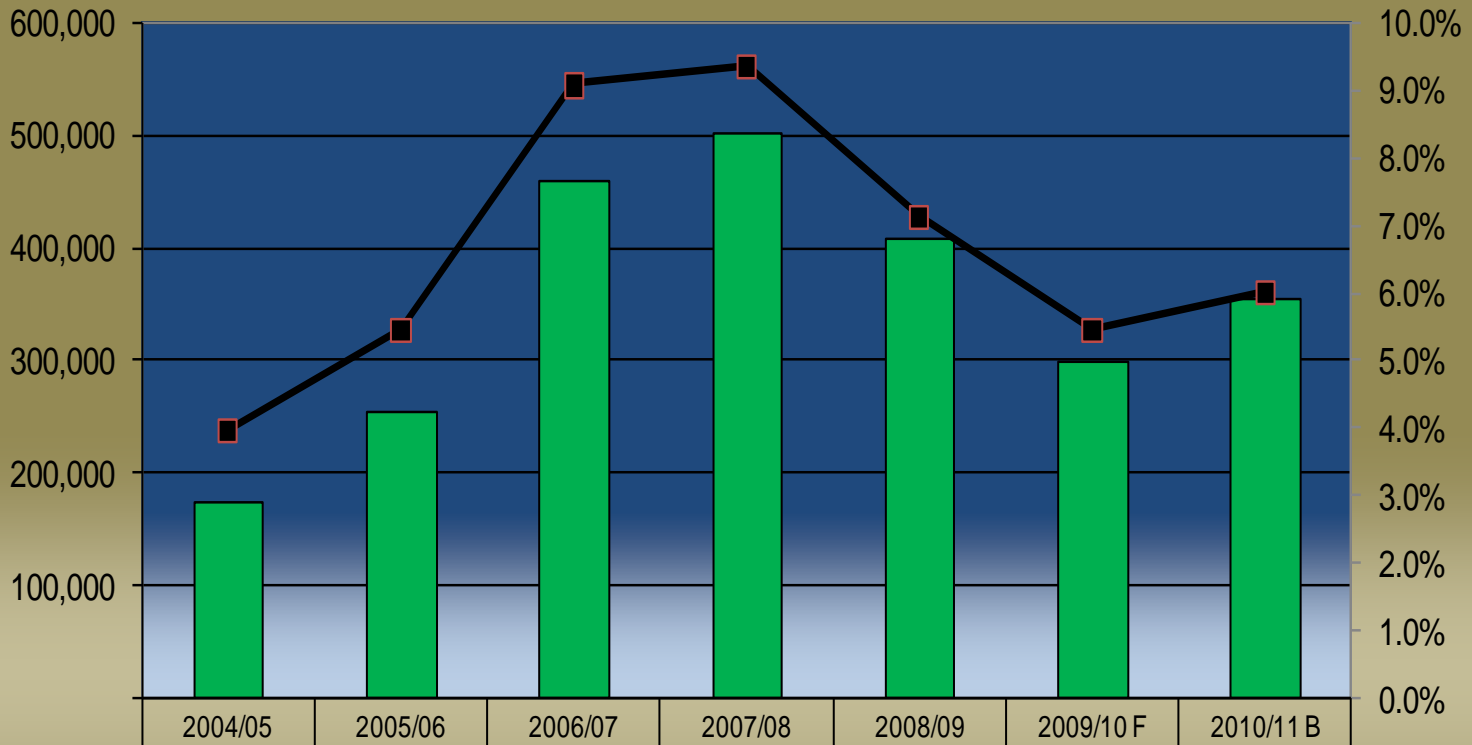
Group balance sheet

	Actuals 2008/2009 <u>R'000</u>	Forecast 2009/2010 <u>R'000</u>	Budget 2010/2011 <u>R'000</u>	Budget 2011/12 <u>R'000</u>	Budget 2012/2013 <u>R'000</u>	Budget 2013/2014 <u>R'000</u>	Budget 2014/2015 <u>R'000</u>
EQUITY AND LIABILITIES							
Capital and reserves	1,926,446	2,237,184	2,537,969	2,866,961	3,134,627	3,429,399	3,746,303
Share capital	951,140	951,140	951,140	951,140	951,140	951,140	951,140
Available for sales reserve	6,895	68,658	72,777	77,144	81,773	86,679	91,880
Accumulated profit	968,411	1,217,386	1,514,052	1,838,677	2,101,715	2,391,580	2,703,284
Non-current liabilities	1,257,676	1,321,690	1,400,991	1,485,051	1,574,154	1,668,603	1,768,719
Deferred lease liability	81,755	86,973	92,191	97,723	103,586	109,801	116,389
Retirement benefit obligations	1,175,921	1,234,717	1,308,800	1,387,328	1,470,568	1,558,802	1,652,330
Current liabilities	5,342,762	5,560,959	5,695,841	6,089,658	6,423,816	6,836,364	7,285,750
Trade & non trade payables	1,016,554	1,048,771	954,381	906,660	815,996	775,195	767,444
Third party funds	253,061	139,643	146,625	153,956	161,654	169,737	178,224
Amount owing to shareholder	185,130	206,514	224,419	243,876	265,020	287,997	312,966
Unearned revenue	270,325	286,545	303,737	321,961	341,279	361,756	383,461
Deposits from the public	3,296,552	3,619,729	4,019,729	4,419,729	4,819,729	5,219,729	5,619,729
Subsidy received in advance	312,878	244,208	30,000	25,000	0	0	0
Taxation	8,262	15,550	16,950	18,475	20,138	21,950	23,926
TOTAL EQUITY AND LIABILITIES	8,526,884	9,119,833	9,634,801	10,441,670	11,132,598	11,934,367	12,800,773

Group cash flow

	March 2008/2009 R'000	Forecast 2009/2010 R'000	Budget 2010/2011 R'000	Budget 2011/2012 R'000	Budget 2012/2013 R'000	Budget 2013/2014 R'000	Budget 2014/15 R'000
Cash (outflow) / inflow from operating activities	292,928	226,655	395,020	423,237	502,461	669,405	806,676
Cash received from customers	5,457,246	4,966,652	5,438,473	5,822,916	6,227,206	6,667,147	7,138,198
Cash paid to suppliers and employees	(5,399,554)	(4,915,795)	(5,340,266)	(5,718,818)	(6,103,644)	(6,404,827)	(6,771,761)
Cash (utilised) / generated by operations	57,692	50,856	98,208	104,098	123,562	262,320	366,438
Interest received	680,290	480,079	507,387	542,904	580,907	621,571	665,081
Interest paid	(164,879)	(93,267)	(98,863)	(104,795)	(111,082)	(117,747)	(124,812)
(Increase) / decrease in third party funds	(104,996)	(113,418)	6,982	7,331	7,698	8,083	8,487
Taxation	(175,179)	(97,595)	(118,694)	(126,301)	(98,624)	(104,821)	(108,518)
Cash (outflow) / inflow from investing activities	(530,604)	(575,568)	(784,000)	(598,447)	(656,323)	(814,829)	(824,015)
Acquisitions of property, plant and equipment	(421,975)	(500,000)	(700,000)	(500,000)	(550,000)	(700,000)	(700,000)
(Increase) / decrease in long term investments	(108,629)	(75,568)	(84,000)	(98,447)	(106,323)	(114,829)	(124,015)
Increase / (decrease) of intercompany loans	0	0	0	0	0	0	0
Cash inflow / (outflow) from subsidy	325,965	336,046	268,489	158,282	0	0	0
Subsidy received	325,965	336,046	268,489	158,282	0	0	0
Increase in deposits from the public	404,852	323,177	400,000	400,000	400,000	400,000	400,000
Increase in deposits from the public	404,852	323,177	400,000	400,000	400,000	400,000	400,000
(Decrease)/ increase in cash equivalents & short term investments	493,141	310,310	279,508	383,073	246,138	254,576	382,661
Cash equivalents & short term investments at beginning of period	4,472,175	4,965,316	5,275,626	5,555,134	5,938,207	6,184,344	6,438,921
Cash equivalents & short term investments at end of period	4,965,316	5,275,626	5,555,134	5,938,207	6,184,344	6,438,921	6,821,581

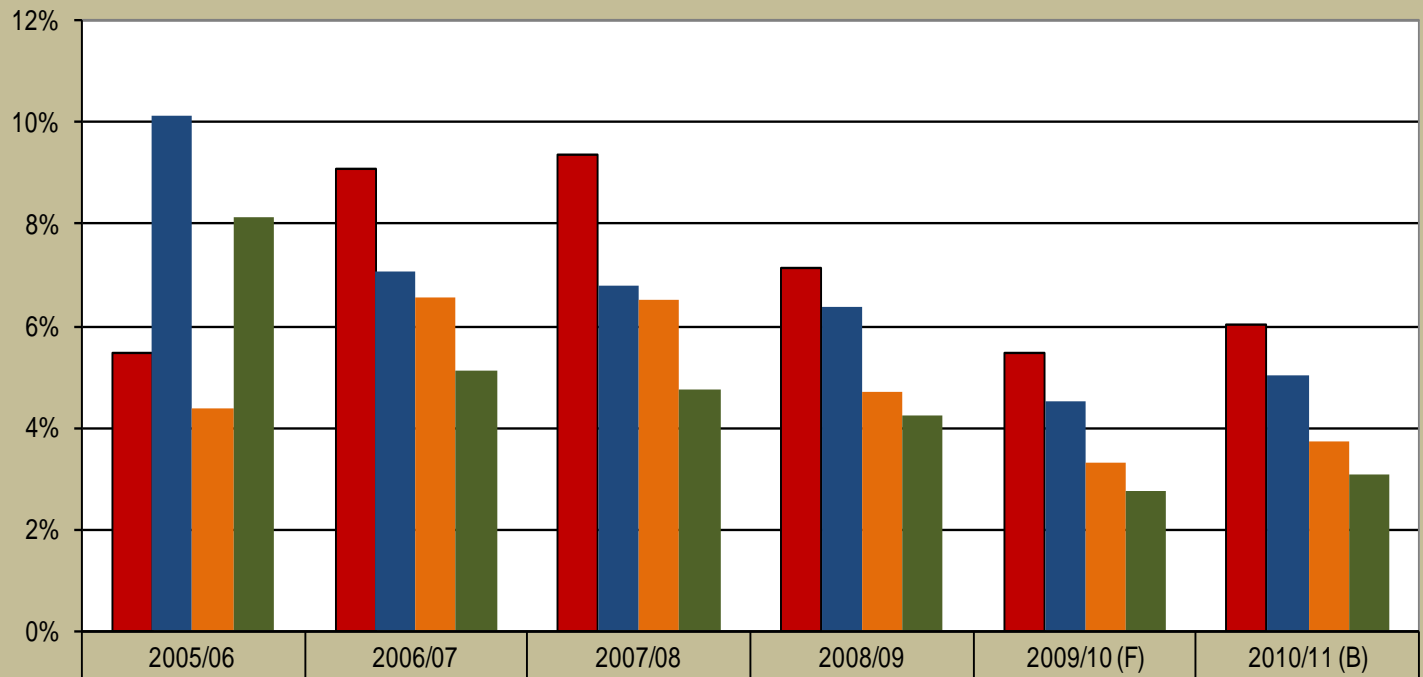
Operating profit margin



Ops profit	174,045	253,999	459,569	501,527	408,180	300,413	356,505
Margin	4.0%	5.5%	9.1%	9.4%	7.1%	5.4%	6.0%



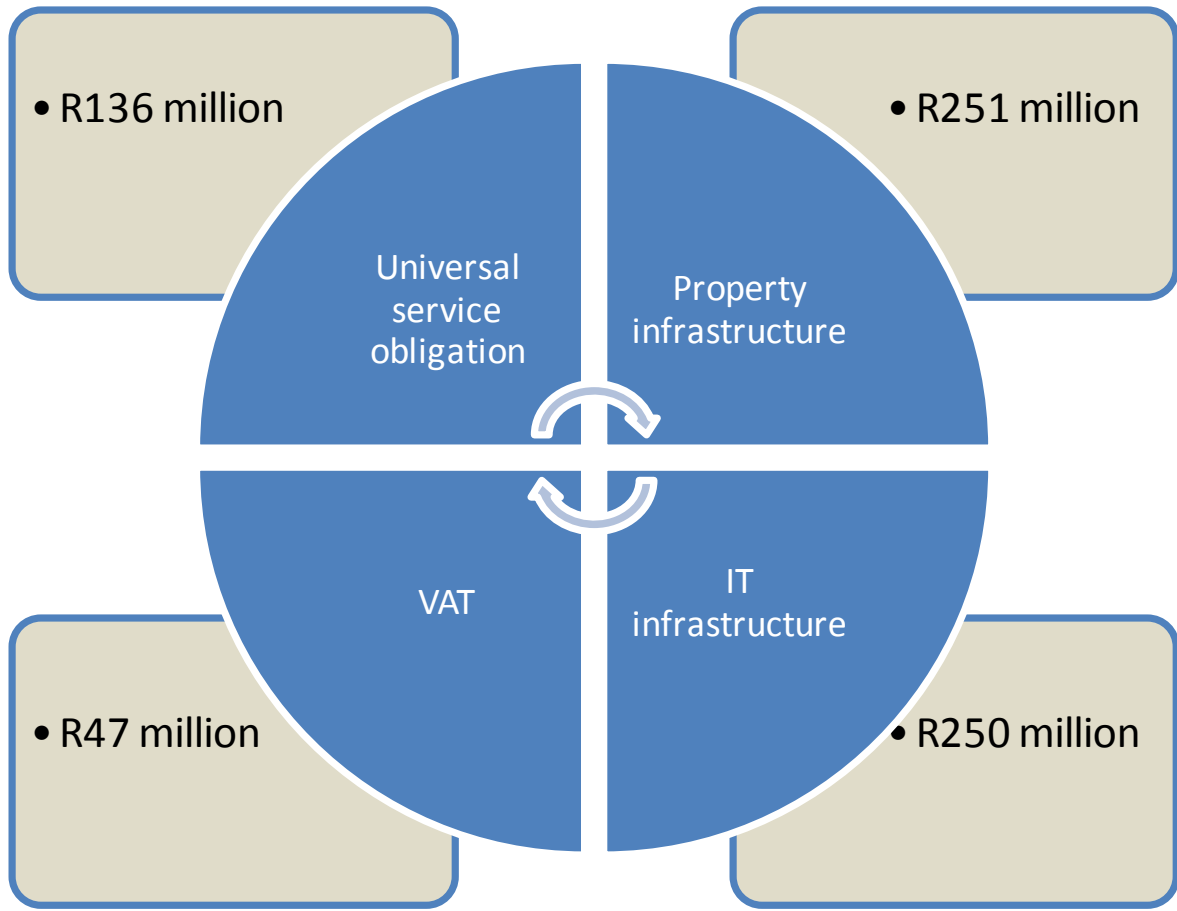
Profitability ratio's



■ Ops profit margin	5%	9.1%	9.4%	7.1%	5.4%	6.0%
■ Net profit margin	10%	7.1%	6.8%	6.4%	4.5%	5.0%
■ ROA(OP)	4%	6.6%	6.5%	4.7%	3.3%	3.7%
■ ROA(NP)	8%	5.1%	4.7%	4.2%	2.7%	3.1%



Subsidy 2009/10 – R684 m



Programs funded

- Branch repositioning
- OHSA compliance
- Stamp cancelling machines
- Postal addressing and advance postcode system
- Bandwidth upgrade
- IT disaster recovery
- Network upgrade phase 2
- IT Security
- POS WRE



	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Total
Funding allocation	600,000	300,000	300,000	310,200	300,000	351,439	363,800	371,600	383,092	3,280,131
Actual expenses	180,177	505,607	397,581	327,928	267,738	263,172	246,814	406,790	440,117	3,035,923
Carry forward	419,823	214,216	116,635	98,907	131,169	219,437	336,423	301,233	244,208	244,208

Year	Subsidy	Reduction	Total
2010/11	406 077	100 000	306 077
2011/12	430 442	250 000	180 442
2012/13	456 269	456 269	52 000



- ❖ Reduction of subsidy in 2010/11 & 2011/12 – no further subsidy thereafter
 - ❖ Increase cost of depreciation
 - ❖ Reduction in net profit
- ❖ Capex
 - ❖ New revenue generation projects
 - ❖ Reduce future costs
 - ❖ ROI



Funding plan (R'000)

	2011	2012	2013	2014	2015
Available cash c/f	790,162	753,671	835,190	787,651	757,056
Cash generated from operating activities	395,020	423,237	502,461	669,405	806,676
Subsidy	268,489	158,282	0	0	0
Available cash c/f	1,453,671	1,335,190	1,337,651	1,457,056	1,563,732
Capex	(700,000)	(500,000)	(550,000)	(700,000)	(700,000)
	753,671	835,190	787,651	757,056	863,732
Expenses cover months	1.6	1.7	1.5	1.4	1.5

	2011	2012	2013	2014	2015
Available cash c/f	790,162	653,671	485,190	187,651	107,056
Cash generated from operating activities	395,020	423,237	502,461	669,405	806,676
Subsidy	268,489	158,282	0	0	0
Available cash c/f	1,453,671	1,235,190	987,651	857,056	913,732
Capex	(800,000)	(750,000)	(800,000)	(750,000)	(800,000)
	653,671	485,190	187,651	107,056	113,732
Expenses cover months	1.4	1.0	0.4	0.2	0.2



Conclusion

Ms M Lefoka

Proposed requested actions for Committee

- ❖ Legislative issues
 - ❖ Postbank bill
 - ❖ Post Office amendment bill
 - ❖ Postal Services amendment bill
- ❖ Regulatory support and focus
- ❖ Subsidy utilisation



Q & A