

## SA Post Office Half Yearly Performance 30 September 2010



## Half Yearly Performance of SA Post Office

### Group Chief Executive Officer

**Ms M Lefoka**

## Performance Overview for 2010/2011

- **Business Overview**
  - Group Financial Overview
- **Key Performance Indicators**
  - Social Sustainability Indicators
    - Universal Service Obligations
    - Customer Satisfaction
    - Crime Prevention Progress Update
    - Transformation Progress Update
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      - BBBEE Spend
    - Human Capital Management
  - Environmental Sustainability
  - Economic Sustainability
    - Group Financial Performance
    - Subsidiary Performance
    - Outlook

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## Business Overview

- **Trading Conditions for the Group outlined below:**
  - Prime Interest rate declined by 350 basis points over the period under review
  - GDP for 2<sup>nd</sup> quarter 2010 declined by 1,4% from 1<sup>st</sup> quarter to 3,2%
  - Mail Volume declined by 7.7% year on year for the period under review
  - Conditions remain challenged for trading and recovery slower than anticipated
  - Key cost indicators above CPI for the trading period
  - PRMA liability grew by 301% year on year.

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## Group Performance Overview

R million	Sept 2010	Change	Sept 2011
Revenue	R2,665	Increase 3%	R2,732
Expenses	R2,544	Increase 6%	R2,694
Operating profit	R121	Decrease 69%	R38
Post-retirement medical benefits	R30	Increase 301%	R120
Net profit	R95	Decrease 76%	R22

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## USO Performance

### Address Rollout Performance as at Sept 2010

Province	Address Rolled Out Per Address Type			Addresses Rolled Out Per Area Type			Performance Against Target	
	Post Boxes	Street Delivery	Total	Urban	Rural	Total	Ytd Target	Actual % age
Free State	0	20,177	20,177	17,089	3,088	20,177	31,086	64.9
North West	0	50,904	50,904	23,008	27,896	50,904	112,526	45.2
Northern Cape	0	8,099	8,099	5,259	2,840	8,099	18,476	43.8
Eastern Cape	1,550	44,883	46,433	24,406	22,027	46,433	164,344	28.3
Kwazulu-Natal	0	116,760	116,760	56,892	59,868	116,760	158,199	73.8
Limpopo	3,000	67,097	70,097	3,000	67,097	70,097	158,491	44.2
Mpumalanga	5,000	82,521	87,521	15,183	72,338	87,521	93,167	93.9
Western Cape	350	26,215	26,565	22,093	4,472	26,565	24,237	109.6
Gauteng	450	56,762	57,212	81,193	0	81,193	62,449	130.0
<b>Total</b>	<b>10,350</b>	<b>473,418</b>	<b>507,749</b>	<b>248,123</b>	<b>259,626</b>	<b>507,749</b>	<b>822,973</b>	<b>61.70</b>

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## USO Performance

### Retail Outlets per Province

Province	Post Offices			Retail Post Agencies			Total
	Serviced	Under - Serviced	Total	Serviced	Under - Serviced	Total	
Eastern Cape	86	109	195	59	105	164	359
Free State	90	40	130	17	17	34	164
Gauteng	262	90	352	11	2	13	365
KwaZulu-Natal	127	121	248	23	111	134	382
Limpopo	34	98	132	33	126	159	291
Mpumalanga	61	46	107	34	56	90	197
Northern Cape	50	9	59	33	28	61	120
North West	55	83	138	19	122	141	279
Western Cape	133	58	191	90	33	123	314
<b>Total</b>	<b>898</b>	<b>654</b>	<b>1552</b>	<b>319</b>	<b>600</b>	<b>919</b>	<b>2471</b>

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## USO Performance

### New and Refurbished Outlets Rolled out

Region	New Outlets			Upgrading and Relocations		
	Number	YTD Actual	Difference	Number	YTD Actual	Difference
Eastern Cape	3	1	-2	2	5	+3
Free State	2	0	-2	1	1	0
Gauteng	8	5	-3	2	1	-1
KwaZulu-Natal	2	1	-1	2	1	-1
Limpopo	1	1	0	1	1	0
Mpumalanga	2	0	-2	1	2	+1
Northern Cape	0	0	0	1	1	0
North West	0	0	0	0	0	0
Western Cape	2	2	0	1	3	+2

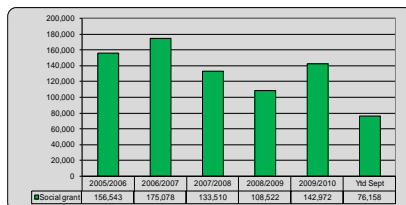
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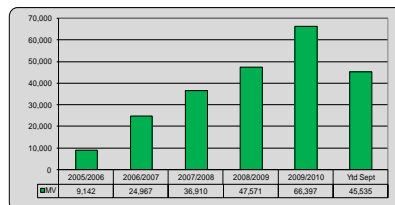
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## Revenue Diversification Performance

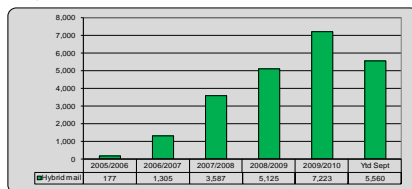
### Social Grants Performance



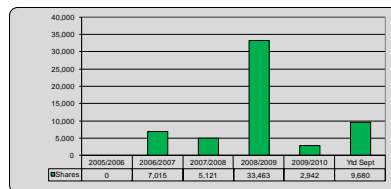
### Motor Vehicle Performance



### Hybrid Mail Performance



### Share Scheme Performance



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## Customer Satisfaction

### Philatelic Performance

- The 2010 Stamp Programme issued and up to date
- The 2010 Joburg Stamp Exhibition successfully concluded
- The Guinness Book of Record Achievement with Hatfield Tuition College
- The First Personalised Stamp launched at the exhibition
- e-Philately online launched

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## Customer Satisfaction

### Philatelic Performance



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## Crime Prevention Progress Update

CATEGORY	2008/09	2009/10		2010/11 YTD	
POSTAL CRIME	2308	1513	35%	464	40%
FINANCIAL	857	798	7%	243	33%
POSTBANK	451	349	23%	183	14%
THEFT	331	185	45%	82	14%
VIOLENT CRIME	348	282	19%	98	37%

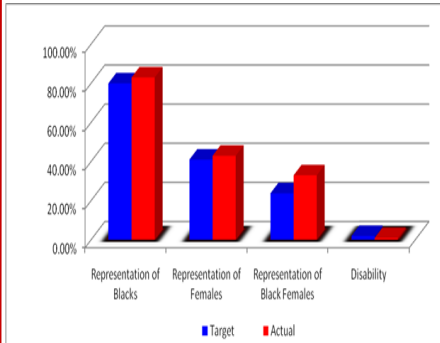
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## Transformation Programmes Update

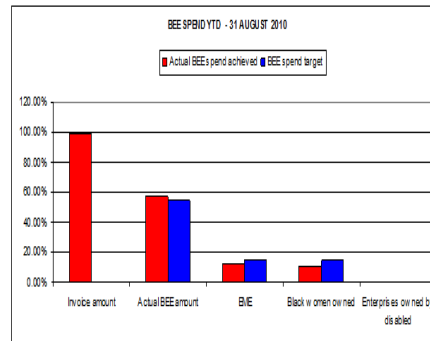
## • Employment Equity

• Gender	42%	43%
• Black Female	29%	32%
• Race	79%	82%
• Disability	4%	4%



## • BBBEE Spend

- Target 60%
- Actual 57%



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## Human Capital Management

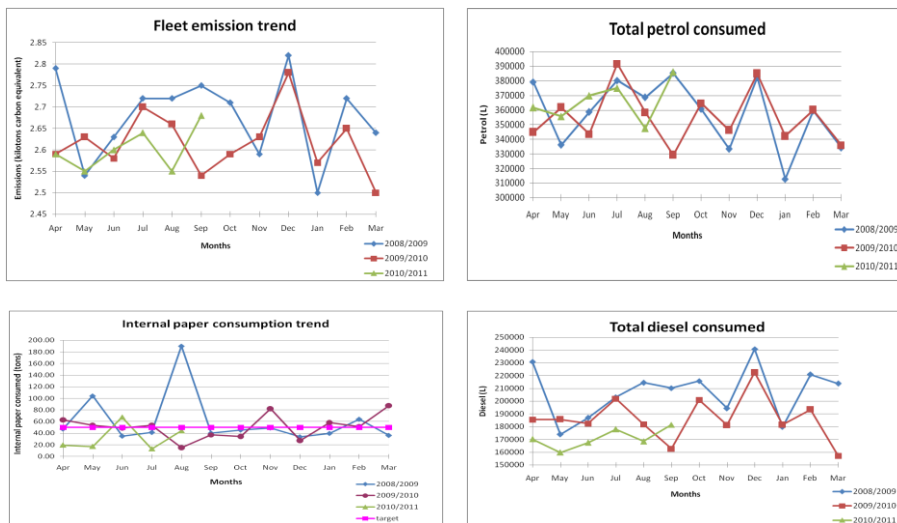
- Training and Development
  - Training Spend: 62.9 % actual spend vs Budget of R22,4 m
- Employee Wellness
  - Voluntary Testing(HIV/Aids) Programme performing well
  - Occupational Health Assessment : 64% employees have undergone assessment
- Talent and Succession Management
  - Completed development for executives
- Leave Liability
  - Increase of leave liability to R158m from a base of R117m
- Other Programme
  - Sports Academy – SADC countries
  - Choral Eisteddfod
  - Performance Stars

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## Environmental Sustainability



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## Environmental Sustainability

- Piloting electric 5 Emax 110 model scooters.
- SAPO signed the Energy Efficiency Accord with the Department of Energy with the view of reducing actual consumption by 12% by 2015.
- The Tshwane Mail Centre pilot (energy efficiency solution) has been completed.
- In partnership with Food & Trees for Africa, SAPO will sequesterate carbon emissions through planting trees.
- 2<sup>nd</sup> Postbank Leadership Climate Award in Partnership with 702

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## Corporate Social Investment

- **Humana People to People:** The skills' training is currently being implemented.
- **The e-Rural Access programme:** The purpose of the The e-Rural Access Programme programme is to establish e-rural centres in the two pilot areas called Riemvasmaak (Sending, Vredesvallei) and Giyani (Muyexe) with the purpose of:
  - Creating an information society especially amongst citizens who are rural poor, unemployed and in need of assistance.
  - Enabling citizens to access, utilise and share information and knowledge.
  - Providing tools such as the Internet, e-mail, telephones, fax machines, photocopying machines etc. to enable rural communities to become part of a global knowledge economy.
  - Providing and facilitating access to online government services.
  - The computer centre in Muyexe , Sending, Vredevallei were handed over to the community during September 2010.
- **Partnership for Information Technology training in support of local government.** The training for local municipality employees has been completed and 857 municipal employees in 8 municipalities across the Western and Eastern Cape have been trained. The Student to government pillar is currently being implemented..
- **Volunteerism**
  - All Business units are engaging in various volunteerism projects ranging from old age homes, schools and shelters. The national Trees for Schools project commenced in August with staff planting 240 indigenous and fruit trees in schools across the country.

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## Volunteerism

### Board volunteerism



### Employee volunteerism



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## Economic Sustainability

## Half Yearly Performance of SA Post Office

## Group Chief Financial Officer

Mr N Buick

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## Group Revenue

	P year R'000	YTD R'000	Change R'000	Change %	Change
Mail revenue	1,788,333	1,789,545	1,212	0%	↑
Logistics revenue	316,809	342,655	25,846	8%	↑
Financial services revenue	204,970	235,141	30,171	15%	↑
Postbank revenue	75,730	87,202	11,472	15%	↑
Interest revenue	255,459	237,285	(18,174)	(7%)	↓
Sundry revenue	23,475	40,073	16,598	71%	↑
<b>Total revenue</b>	<b>2,664,776</b>	<b>2,731,901</b>	<b>67,125</b>	<b>3%</b>	<b>↑</b>

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### Logistics financial overview

R million	Sept 2010	Change	Sept 2011
Revenue	R320	Increase 10%	R351
Expenses	R271	Increase 4%	R282
Operating profit	R49	Increase 39%	R69
Net profit	(R10)	Improvement of 182%	R9

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### CFG financial overview

R million	Sept 2010	Change	Sept 2011
Revenue	R142	Increase 11%	R158
Expenses	R172	Increase 2%	R175
Operating profit	(R30)	Improvement of 44%	(R17)
Net profit	(R39)	Improvement 68%	(R12)

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### SSC financial overview

R million	Sept 2010	Change	Sept 2011
Revenue	R155	Increase 10%	R170
Expenses	R79	Increase 10%	R87
Operating profit	R76	Increase 9%	R83
Contribution	R26	Decrease 27%	R19

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### Docex financial overview

R million	Sept 2010	Change	Sept 2011
Revenue	R23	Decrease 4%	R22
Expenses	R19	Increase 1%	R19
Operating profit	R4	Decrease 29%	R3
Net profit	R3	Decrease 29%	R2

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### Post Office financial overview

R million	Sept 2010	Change	Sept 2011
Revenue	R2,345	Increase 2%	R2,381
Expenses	R2,273	Increase 6%	R2,412
Operating profit	R72	Decrease 143%	(R31)
Net profit	R106	Decrease 87%	R14

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### Mail Business financial overview

R million	Sept 2010	Change	Sept 2011
Revenue	R1,730	Increase 1%	R1,745
Expenses	R999	Increase 1%	R1,004
Operating profit	R731	Increase 1%	R741
Contribution	R309	Increase 9%	R335

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## Postbank financial overview

R million	Sept 2010	Change	Sept 2011
Revenue	R290	Increase 10%	R317
Expenses	R72	Increase 1%	R74
Operating profit	R218	Increase 12%	R243
Contribution	R109	Decrease 15%	R125

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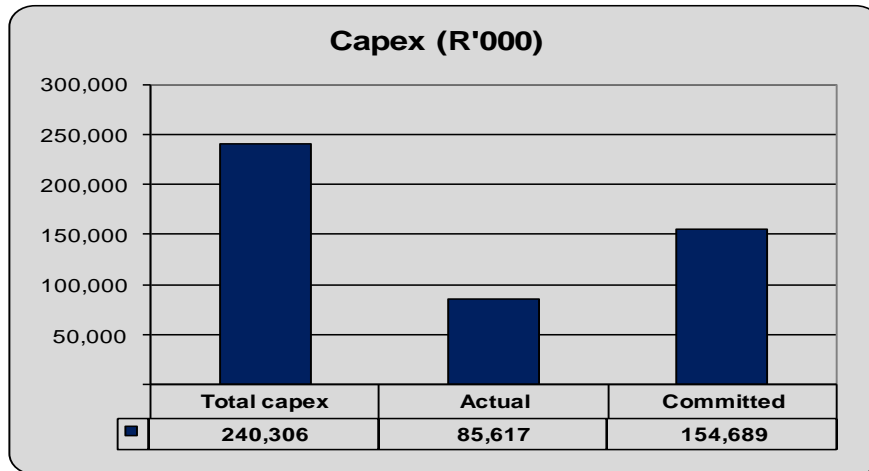
## Balance sheet

SA Post Office Group		Change		YTD R'000	2009/10 R'000
		%	R'000		
Total assets	up	2.4%	219,467	9,514,723	9,295,256
Property, plant & equipment	down	(1.0%)	(10,207)	1,047,892	1,058,098
Intangible assets	up	6.7%	4,145	66,297	62,152
PRMA asset	up	6.5%	35,762	582,170	546,408
Long term investment	up	3.1%	35,001	1,181,799	1,146,798
Current assets	up	2.5%	152,111	6,322,433	6,170,322
Inventories	up	4.4%	2,102	49,631	47,528
Trade & non trade receivables	down	(6.2%)	(41,796)	635,168	676,965
Cash & investment	up	3.5%	191,805	5,637,634	5,445,829
NAV	up	1.1%	23,422	2,234,241	2,210,819
Trade & non trade payables	down	(8.5%)	(84,364)	904,159	988,522
Funds collected on behalf of third part	up	0.2%	652	275,858	275,206
Amount owing to the shareholder	up	5.1%	10,508	216,903	206,395
Employment benefits	up	8.4%	107,982	1,399,502	1,291,520
Depositors book	up	7.8%	286,125	3,938,111	3,651,987
Current liabilities	up	1.6%	89,333	5,850,927	5,761,594
ROA (PBT)	down	(90.0%)	(3.6%)	0.4%	4.0%
ROA (NP)	down	(92.5%)	(2.9%)	0.2%	3.2%
Current ratio	up	0.9%	0.01	1.08	1.07

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## Capex YTD



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## Subsidy

- Subsidy allocation
  - 2010/11 FY – R306,077 million,
  - 2011/12 FY – MTEF- R180m,
  - 2012/13 FY – MTEF- R52m,
- Subsidy allocation required to fund USO costs
  - 2010/11 FY – R306,077 million,
  - 2011/12 FY – R303,308 million,
  - 2012/13 FY – R321,507 million.

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## Subsidy YTD

2010/11 FY Projects (R'000)	Subsidy	Utilised	YTD committed / awarded	Forecast next 6 mths	Available
	306,077	128,112	0	177,966	0
VAT	37,588	7,137	0	30,451	0
USO post office outlets	250,235	120,975	0	129,260	0
New post office outlets	18,254	0	0	18,254	0

2010/11 FY (roll over) (R'000)	Subsidy	Utilised	YTD committed / awarded	Forecast next 6 mths	Available
	249,040	13,405	73,675	161,960	0
Network upgrade	149,703	0	0	149,703	0
Property infrastructure	25,052	13,405	11,647	0	0
Mail sorting equipment	62,028	0	62,028	0	0
New post office outlets	12,257	0	0	12,257	0
<b>Subsidy</b>	<b>555,117</b>	<b>141,517</b>	<b>73,675</b>	<b>339,926</b>	<b>0</b>

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## PRMA liability

R' million	2004	2005	2006	2007	2008	2009	2010
Actuarial obligation	2,251	929	953	1,004	1,064	1,159	1,365
Change		1,322	(24)	(51)	(60)	(94)	(206)
Change %		59%	(3%)	(5%)	(6%)	(9%)	(18%)

R' million	2004	2005	2006	2007	2008	2009	2010
PRMA asset	303	287	337	434	533	457	547
Change		(16)	50	97	99	(76)	90
Change %		(5%)	17%	29%	23%	(14%)	20%

R' million	2004	2005	2006	2007	2008	2009	2010
Unfunded	1,948	642	616	570	531	702	818
Change		1,306	26	46	39	(171)	(116)
Change %		67%	4%	7%	7%	(32%)	(17%)

Medipos benefit rates increase	2004	2005	2006	2007	2008	2009	2010
Option A	9.00%	10.00%	6.30%	12.50%	9.50%	16.00%	25.70%
Option B	9.00%	4.00%	7.30%	10.00%	9.50%	13.80%	19.46%
Average increase	9.00%	7.00%	6.80%	11.25%	9.50%	14.90%	22.58%

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## Post Office Group 30 September 2010 outlook

R'000	2010	Year to date	Change	Change	
Revenue	2,664,776	2,731,901	67,125	3%	↑
Expenses	(2,543,729)	(2,693,983)	(150,254)	(6%)	↓
<b>Operating profit</b>	<b>121,047</b>	<b>37,918</b>	<b>(83,129)</b>	<b>(69%)</b>	↓
Subsidy	53,127	120,975	67,848	128%	↑
Taxation	(48,828)	(16,111)	32,717	67%	↑
Non ops items	(30,052)	(120,360)	(90,308)	(301%)	↓
<b>Net Profit</b>	<b>95,294</b>	<b>22,422</b>	<b>(72,872)</b>	<b>(76%)</b>	↓

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## Group revenue

	P year R'000	YTD R'000	Change R'000	Change %	Change
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Sundry revenue	23,475	40,073	16,598	71%	↑
<b>Total revenue</b>	<b>2,664,776</b>	<b>2,731,901</b>	<b>67,125</b>	<b>3%</b>	↑

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## Group year end estimate

R'000	2010	2011 Forecast	Change	Change	
Revenue	5,579,479	5,706,774	127,295	2%	↑
Expenses	(5,213,079)	(5,550,002)	(336,923)	(6%)	↓
<b>Operating profit</b>	<b>366,400</b>	<b>156,772</b>	<b>(209,628)</b>	<b>(57%)</b>	↓
Subsidy	118,065	241,323	123,258	104%	↑
Taxation	(82,107)	(42,305)	39,802	48%	↑
Non ops items	(109,228)	(265,033)	(155,805)	(143%)	↓
<b>Net Profit</b>	<b>293,130</b>	<b>90,757</b>	<b>(202,373)</b>	<b>(69%)</b>	↓

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## Outlook for 2010/11

-  Declining mail volumes
-  Lower interest rates
-  Salary increases above inflation
-  Reduction in subsidy
-  Speed Services integration
-  Postbank Corporatization
-  PRMA





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## Outlook for 2010/11

### Revenue

-  Speed Services integration
-  Postbank corporatisation and new products
-  Epostal / Digital
-  Government business ( Motor vehicle licenses and grant payments)

### Expenses

-  Transport integration,
-  Consumer Services – Multi channel strategy,
-  Mail Business – Review of number mail centers, depots. and staff levels

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# Thank You!

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