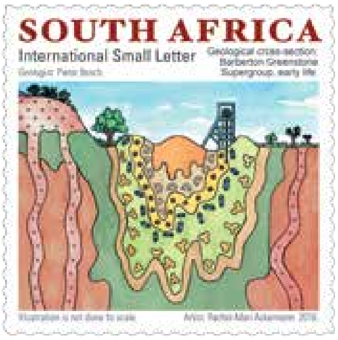
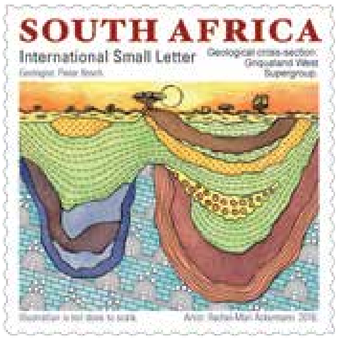
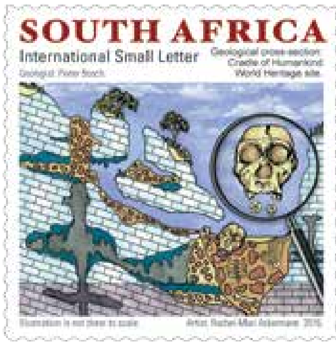
Post Office

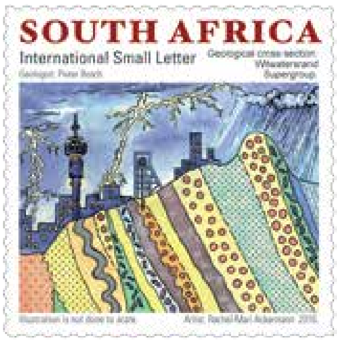
We deliver, whatever it takes.

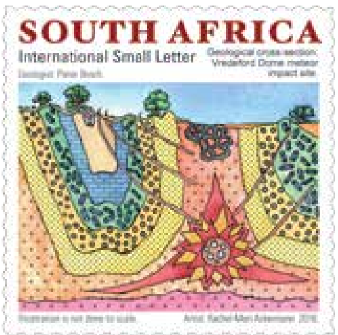


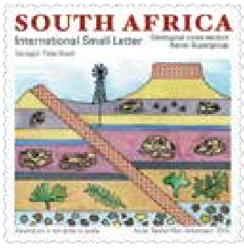


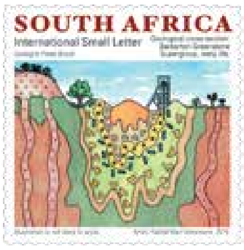
2016 ANNUAL REPORT











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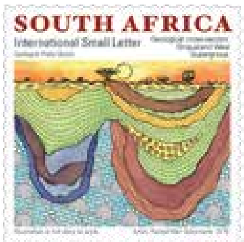

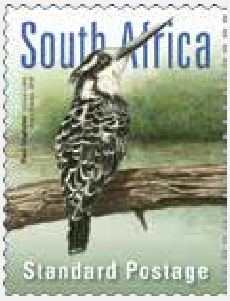

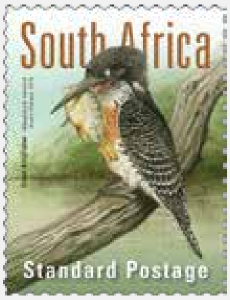

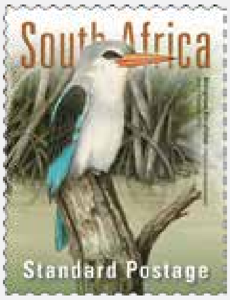

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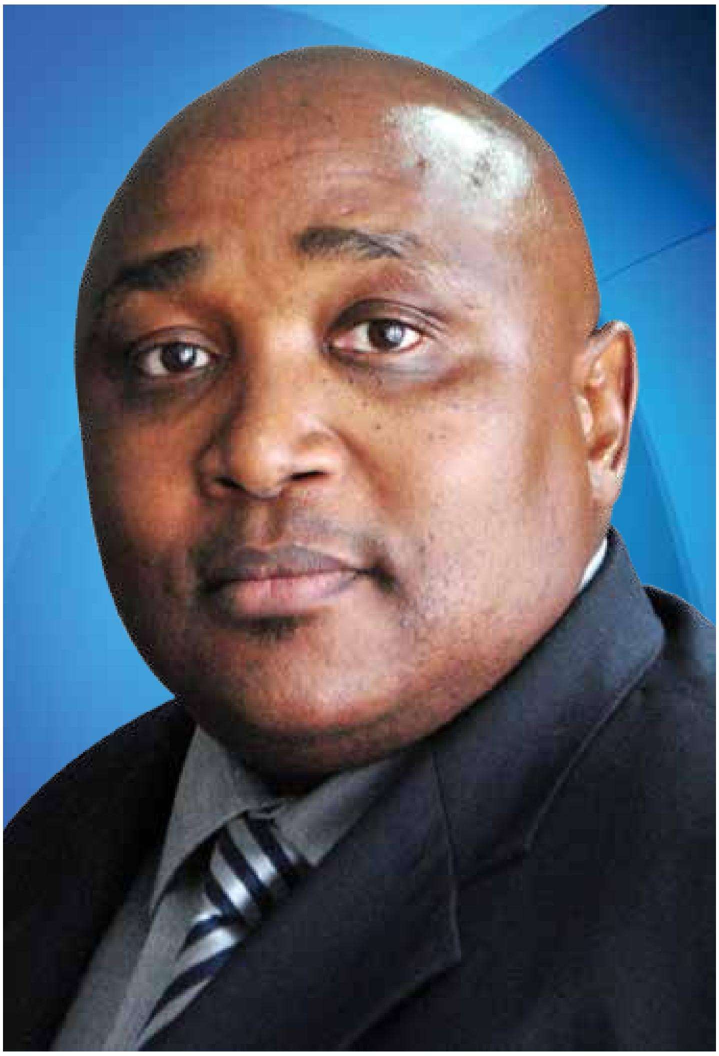
GROUP MANAGEMENT REPORT

Chairperson's Report



The financial year was challenging due to the unfavourable domestic and global economic environment. While there is global decline in mail volumes, which have been SAPO's staple margins for an extended period, our efforts at revenue diversification were significantly hampered by the attendant funding challenges.

The internal obstacles pertaining to the aging infrastructure, supplier non-payment, eroded customer affection, depleted margins, deferred employee issues and low employee morale have compounded the future of the SA Post Office. Non-payment of suppliers, in particular, impacted negatively service delivery during the year under review. Postal outlets operated without requisite stock to provide adequate service to customers as suppliers were unwilling to continue supplying SAPO due to the amounts that they were owed that peaked between R950m and R1bn. Some outlets were closed by landlords that were owed money.

The Administration intervention sought to catalyse the entity. It stabilised and refocused everyone to the future and the overall value proposition of the SA Post Office. Occurring in the aftermath of the four-month strike, which saw the unprecedented haemorrhage of our major customers, the Administration's task was admittedly difficult. With the end of the strike locked-in, the supreme task became the restoration of customer confidence. The erosion of customer confidence resulted in major financial losses which in turn imperilled the majority of our suppliers, amongst other critical capabilities. This affectively rendered the SA Post Office incapable of providing service to its customers – a quicker quicksand for SAPO.

Cost-saving initiatives were undertaken to relieve the Group of business-depleting cost; targeted efforts yielded vast savings of R534 million through the reduction in operating expenditure to R6,534 billion from prior year of R 6,890 billion. As is expected, such efforts had their inborn limitations, as they are only business sustaining if combined with successful revenue-generating initiatives. Effective implementation of the Strategic Turnaround Plan was delayed due to inadequate funding. By virtue of the degradation of the business, the new direction required considerable funding. But this was not forthcoming!

Consistently, the entity's revenues continued to decline as service levels worsened. A number of Post Offices, 221 to be precise, were closed due to outstanding rentals; those that operated had no paper, toner or other necessities to provide services to our customers. Computer systems and connectivity continued to underperform resulting in unacceptably high downtime for critical customer service. There were also instances where the company could not pay salaries on time to its employees and this caused major internal instability and reduced employee morale. Lack of funding, inadequate capacity and system downtime also affected internal controls.

Incapacitation was further driven by the exodus of 1,423 employees, amongst whom SAPO lost much-needed scarce skills. Vacant positions could not be filled, equipment and systems that needed maintenance could not be maintained and adequate services from suppliers could not be procured. As a result, and as shown in the Auditor's Report, SAPO continues to report material misstatements in the areas of property, plant and equipment, heritage assets, provisions – site restoration, deferred tax, depreciation, income tax expenses, irregular expenditure, fruitless and wateful expenditure etc. Resources are needed to address this incapacity and lack of critical skills. The Board through its Audit and Risk Committee is addrressing this drawback.

The most disappointing element of the Turnaround Plan was (and remains) continued poor award of Government Business to the SA Post Office. The initial upswing of SAPO revenues that were meant to support its turnaround are still not realised. These missed opportunities have a minute-to-minute net impact on the business, which by its very nature blights the entity's future.

Recently, post the reporting period the Board concluded an agreement with recognized trade unions and other representatives of workers. This settles pending wages and conditions of employment from 2014/2015, 2015/2016 until period ending 2016/2017. The agreement supersedes all previous agreements and brings to finality all historical labour issues. Some of the elements settle the 2014/2015 back-pay, general increase on 2015/16 salaries, general 2016/2017 salary increase, conversion to permanent of part time and casual employees, salary disparities at branch management level and equal pay for work of equal value.

Further, we received reports from the Public Protector and Special Investigating Unit (SIU) that indicated gross transgressions that had taken place over a period of 15 to 20 years. Apart from the monetary losses evident in these cases, this affected the reputation of SAPO and stakeholder confidence. The recommendations required resources to remedy the transgressions during a period of immense financial struggle for the company. We continued to work with these institutions to resolve and find redress for SAPO, within the limited resources on the reported transgessions.

A new Board was appointed in August 2015 bringing to an end the period where SAPO was under Administration. This added a much-needed impetus to the leadership of the entity. A new GCEO was also appointed in November 2015 and he started in January 2016.

Dr Simo Lushaba

Chairperson

Group Chief Executive Officer's Report

The year ended 31 March 2016 marked the beginning of a period of extraordinary renewal of the SA Post Office, as the organisation embarked on a turnaround strategy in difficult circumstances, both internal to the company, and in the challenging economic environment.

A new Board of Directors, under the stewardship of Dr. Simo Lushaba was constituted on 13 August 2015 and I joined the SA Post Office as the Group CEO on 15 January 2016.

Difficult trading conditions persisted throughout the 2015/6 financial year resulting in a 9% decline in revenues, from R 5,12 billion to R4,68 billion and a final loss of R1,14 billion was recorded as at 31 March 2016. These results obviously had a negative effect on cash flows. Nevertheless the SA Post Office was able to pass the requisite solvency and liquidity tests for the year.

There remain several significant challenges to be overcome. If the Post Office is to remain on track in the implementation of the revised Corporate Plan, then it will need to demonstrate a return to the consistent delivery standards required to restore confidence in our client base.

The primary inhibitors to the fulfilment of the Post Office's turnaround strategy during the 2015/6 year have been lack of funding, unsettled labour agreements, little progress on the corporatisation and licencing of Postbank and, if anything, a further decline in government business. An inability to settle creditors timeously essentially blocked up the supply chain and delivery mechanisms of the Post Office, whilst uncertainty within the workforce certainly impacted on productivity.

The SA Post Office's return to financial stability is predicated on a return to the pre-2014 strike postal volumes and significant growth in revenues from government business. The Post Office's courier, parcels and logistics business, operating through CFG, continued to be decimated during the 2015/6 financial year, to the point that it will be required to be incorporated into the SA Post Office as a division in order to ensure its economic survival, avoid liquidation and save the jobs of the hundreds of employees who work there. CFG, as with many areas of business within the Post Office, now finds itself operating in an extremely competitive, albeit growing, market segment and the Post Office's parcels business will be re-launched during the 2017/8 year.

Subsequent to the year-end, progress has been made.

1. The SA Post Office signed a joint agreement with the recognised trade unions to settle historic wage issues and conditions of employment;
2. A R650 million capital injection was received on 1 April 2016 from National Treasury and, supported by a further Government Guarantee, the SA Post Office was able to raise further debt funding of R2,7bn to pay for past liabilities, fund continuing losses and invest over R1,5 billion in capital projects over the next three years, which are critical to the achievement of the corporate plan; and

3. The South African Reserve Bank approved the SA Post Office's Section 13 first-level application towards a fully-fledged banking licence for Postbank.

The Post Office's ambitious growth plans are based on a diversification of revenue streams and focus, beyond mail and into the fields of e-commerce and financial services. Both of these are competitive industries where market share will need to be regained from established, successful private sector offerings.

Early results remain disappointing as the Post Office begins the long journey of restoring customer confidence. We will indeed need to deliver. If the backlog in revenues cannot be made up fairly early in the three year plan period then the Post Office will have little choice but to rationalise the cost base, simply in order to survive.

The SA Post Office is, however, very well positioned to deliver on its socio-economic mandate. With over 1500 branches and 800 agencies, our footprint is unrivalled in South Africa and incapable of replication on a commercial basis, particularly in the rural areas. The Post Office is the last mile in the delivery chain and the first formal touch point of access for the vast and growing informal economy. Postbank is ideally positioned to play a role in funding small business and those not currently included in the financial economy at a reasonable price.

The 2016/7 financial year is expected to remain tough, with losses that may even exceed those of the past year. A return to profitability is not expected before 2018.

We, as management, remain grateful for the support and guidance of our Board of Directors, DTPS and National Treasury, and the leadership of Minister Cwele.

The SA Post Office is determined to work its way back into the mainstream of the South African business landscape, in service to our country's people.

Mark Barnes

Group Chief Executive Officer

Acting Group Chief Financial Officer's Report

The annual financial statements set out on pages 66-91, which have been prepared on the going concern basis, were approved and signed by the Board of Directors on 19 September 2016. I am not aware of any matter or circumstance arising since the end of the financial year that will materially affect these annual financial statements.

SAPO's revenues remained under pressure as a result of the value chain being disrupted by non-payment of suppliers as well as lack of investment in new technology to improve products, services and customer experience. SAPO managed to obtain funding of R1 billion from recognized financial services providers during the year and indirect costs were minimized through cost optimisation.

SAPO had significant amounts owing to creditors at year end, and utilized loan funding of R1 billion raised during the year to pay part of the long outstanding balances, as well as to fund operating losses. Post year end, significant payments to creditors have been made, and SA Post Office management are driving tender and contracting processes to regularize expenditure, to allow payments to be made to suppliers to reduce ageing of invoices to 30 days, apart from disputed amounts.

PERFORMANCE FOR THE YEAR	MARCH 2016
Revenue (R'000)	**4,679,292**
Other income	**140 007**
Comprehensive loss for the year	**-1 135 260**
Equity attributable to the equity shareholder (R'000)	**-141 971**
Unrecognised property fair value adjustment	**1 345 000**

No additional going concern guarantees were required from the fiscus for the year under review.

SAPO's solvency test, shown in note 47 to the annual financial statements, included a conservative adjustment for the market valuation of the property portfolio. As a result, SAPO is considered to be solvent at the year end, as well as for the 12 months following the date of signature of this report.

SAPO is operationalizing its Corporate Plan, approved in June 2016, and is focusing on growing revenues, ensuring value for money spent and better managing contracts to minimize irregular R480 million (2015-2016 was R747 million) and fruitless and wasteful expenditure R98 million (2015-2016 was R91 million). These items identified during the year under review largely relate to previous financial periods.

A significant agreement was reached with organized labour in July 2016 which has improved the stability of operations.

Looking ahead, we acknowledge that there is a steep journey ahead of us to regain customer confidence in order to improve revenues. SAPO therefore expects to return to profitability in the 2017-18 financial year.

N Dewar

Nichola Dewar

Acting CFO


From
From
230

STRATEGY

Group Annual Performance Report

PERIOD ENDED 31 MARCH 2016

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

PERFORMANCE SUMMARY AS AT 31 MARCH 2016

STRATEGIC OBJECTIVES	NUMBER OF KPIS	KPIS ACHIEVED				KPIS NOT ACHIEVED			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Deliver sustainable developmental obligations funded from reserved market	1	0	1	1	1	1	0	0	0
Create a commercially viable business from the unreserved markets	2	-	-	-	0	-	-	-	2
Achieve operational efficiency and effectiveness	5	1	1	1	1	4	4	4	4
Achieve leadership stability that ensures continuity and accountability	4	0	0	0	0	4	4	4	4
Achieve labour stability and improve labour relations	3	1	1	1	0	1	1	1	3
Achieve financial sustainability	10	6	6	5	3	3	3	4	7
Improve the customer experience to achieve customer loyalty	1	-	-	-	0	-	-	-	1
Grow Government business to levels of 50-55% of SAPO revenue per annum	1	0	0	0	0	1	1	1	1
Facilitate the corporatisation of Postbank	1	0	0	0	0	1	1	1	1
Increase access of financial services to the unbanked	1	0	1	0	0	1	0	1	1
Ethical leadership	1	-	-	-	0	-	-	-	1
Environmental sustainability	2	1	2	2	2	1	0	0	0
Legal compliance	2	0	0	0	0	2	2	2	2
Effective risk management and governance	2	0	0	0	0	2	2	2	2
Effective stakeholder management	2	1	1	1	1	0	0	0	1
Total number	38	10	13	11	8	21	18	20	30
% of KPIs Achieved/Not Achieved		32.3%	41.9%	35.4%	21.1%	67.7%	58.1%	64.6%	78.9%

Note: Total of 38 KPIs were identified for the year in the Corporate Plan. However 7 KPIs have targets measured and reported on, only at year end. Therefore only 31 KPIs have been measured and reported on, in the 1st, 2nd and 3rd quarters.

Achievement of many of the above performance objectives was hampered by a lack of funding to settle creditors and keep operational. As a result, the customer experience declined during this period, resulting in pressure on revenues.

The new corporate plan, and R3,7 billion of funding arranged after year-end, will ensure that these disablers to business are proactively addressed by the SA Post Office management team.

SAPO GROUP ANNUAL PERFORMANCE MEASURES 2015/16

STRATEGIC GOAL 1: IMPLEMENT THE STRATEGIC TURNAROUND PLAN TO ACHIEVE A SUSTAINABLE ORGANISATION

STRATEGIC OBJECTIVE	KEY PERFORMANCE AREAS	KEY PERFORMANCE INDICATOR	2015/16 ANNUAL TARGET	2015/16 ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET
Deliver sustainable developmental obligations funded from reserved market	Financial performance of the reserved market	Revenue	Develop the financial model	The RFS – "Financial performance of the reserved market" was completed and submitted to ICASA on 23 Sept 2015	Achieved	
		Cost				
		Net income				
	Financial requirements of the reserved market	Capex				
		Opex				
		Subsidy				
Create a commercially viable business from the unreserved markets	Competitive and Profitable	Market share	Conduct a market analysis	All the marketing plans are done and were submitted indicating all the research and budget requirements. The plans were also refined during a workshop to align it with the sales plans as well as Government Sales and Parcels business.	Not achieved	Budget constraints
		Profitability	Conduct a market analysis			

STRATEGIC GOAL 1: IMPLEMENT THE STRATEGIC TURNAROUND PLAN TO ACHIEVE A SUSTAINABLE ORGANISATION						
STRATEGIC OBJECTIVE	KEY PERFORMANCE AREAS	KEY PERFORMANCE INDICATOR	2015/16 ANNUAL TARGET	2015/16 ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET
Achieve operational efficiency and effectiveness	Achieved	Mail delivery standards	92%	61.2%	Not Achieved	Across Town Performance was recorded at 82.6%. Between Mail Centers Performance was recorded at 52.7%. All Routes Types Performance was recorded at 61.2%. Shortage of Consumable stock and Transport – nonpayment of national line haul contractors. Machines non-functional, not maintained due to nonpayment of service providers.
		Retail queue waiting times	98% of outlets to achieve average 7 minutes	98% of outlets conformed to 7 minutes	Achieved	
	Productivity	People (Mail processing)	1800 standard letters per hour per person	1432 standard letters per person (79.6% productivity)	Not Achieved	Main contributors are: unavailability of tools of trade, mail handling equipment, etc.
		Transport	Develop and implement efficiency ratios	Not implemented	Not Achieved	Analysis of transport environment done. Implementation of ratios dependent on procurement of an appropriate reporting system.
		Property (Retail revenue per square meter)	R791 per square meter	R386 per square meter	Not Achieved	Transfer pricing not included in counters revenue and the STP initiatives not yet materialised.

STRATEGIC GOAL 1: IMPLEMENT THE STRATEGIC TURNAROUND PLAN TO ACHIEVE A SUSTAINABLE ORGANISATION						
STRATEGIC OBJECTIVE	**KEY PERFORMANCE AREAS**	**KEY PERFORMANCE INDICATOR**	**2015/16 ANNUAL TARGET**	**2015/16 ACTUAL PERFORMANCE AGAINST TARGET**	**TARGET ACHIEVED OR NOT ACHIEVED**	**REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET**
Achieve Leadership stability that ensures continuity and accountability	Vacancies	% staff turnover	10%	6%	Not Achieved	The staff turnover target was set in line with the STP initiative of right-sizing. This initiative was not implemented due to the unavailability of funding. The main reasons for the decline in the staff numbers are due to natural attrition such as resignations, retirements, dismissals and expiry of contracts. The attrition was higher than normal due to the financial situation of the organisation.
		Time to fill vacancies	90 days	>90 days	Not Achieved	Challenges with attracting the appropriate candidates for managerial positions.
	Performance management	Contracts in place	100%	Executives and Senior Managers- 65/168=39% Managers 148/371=40%	Not Achieved	The changes and vacant positions in the Executive structure contributed to the performance contracts not being concluded and cascaded to senior management.
		% of organisational scorecard target achieved	90%	21.1%	Not Achieved	Decrease in cash inflows and non-availability of funding resulting in number of initiatives not implemented as planned and also the disruption in operations due to lack of tools of trade.

STRATEGIC GOAL 1: IMPLEMENT THE STRATEGIC TURNAROUND PLAN TO ACHIEVE A SUSTAINABLE ORGANISATION						
STRATEGIC OBJECTIVE	**KEY PERFORMANCE AREAS**	**KEY PERFORMANCE INDICATOR**	**2015/16 ANNUAL TARGET**	**2015/16 ACTUAL PERFORMANCE AGAINST TARGET**	**TARGET ACHIEVED OR NOT ACHIEVED**	**REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET**
Achieve labour stability and improve labour relations,	Effective Labour forums	Lost hours due to industrial action	0	1557.5 hours lost	Not Achieved	No sporadic incidences nor any form of industrial action occurred during the 4th quarter (January to March 2016). On 26 November 2016 industrial action took place in the Northern Region which mostly effected Mail Processing, Transport and Revenue Protection. The total lost hours of 1557.5 was recorded. (1453.5 hours for Mail Processing, 104 hours for Transport and zero hours for Delivery management). "No work, no pay" was applied for 801 employees nationally who took part in the action. Also sporadic incidences of industrial action occurred for short periods of time. The unions involved were CWU and IICUOSA. CWU embarked on industrial action in support of their dispute with the company on outstanding agreements and also the late payment of salaries. IICUOSA embarked on industrial action to support their quest to obtain recognition as a trade union with the company. All of these incidences were illegal and unprotected. The incidences took place in Wits, Northern, KwaZulu-Natal and Eastern Cape areas.
		Compliance to labour agreements	100%	< 100%	Not Achieved	The collective bargaining process was still in process at year end.
		Time to conclude agreements	90 days	No new agreements concluded	Not Applicable	The collective bargaining process was still in process at year end.

STRATEGIC GOAL 1: IMPLEMENT THE STRATEGIC TURNAROUND PLAN TO ACHIEVE A SUSTAINABLE ORGANISATION						
STRATEGIC OBJECTIVE	**KEY PERFORMANCE AREAS**	**KEY PERFORMANCE INDICATOR**	**2015/16 ANNUAL TARGET**	**2015/16 ACTUAL PERFORMANCE AGAINST TARGET**	**TARGET ACHIEVED OR NOT ACHIEVED**	**REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET**
Achieve financial sustainability	Profitability	Product Customer segment Channels	Develop and implement model	Not Implemented	Not Achieved	Dependent on the finalisation and capacitation of the Commercial section structure, which was at an advanced stage at year end. The development of the model will be completed in the 1stQ 2016/17 FY.
		Revenue	R5.405bn	R5.569bn	Not Achieved	Decline in customers volumes in mail and parcels and the decline in transaction volumes, both Retail and Postbank.
		Expenses	R6.534bn	R6.495bn	Achieved	Main contributors to the decrease: Employee costs R676m; Transport costs R311m. Implementation of some STP initiatives.
		Net loss / net profit	Net loss of R1.115m	Net loss of R926m	Not Achieved	Decline in revenues by R1.164b (17%) whilst expenses declined by only R362m (5%) against budget.
		Debtors days	Debtors days outstanding of 20 days	Debtors' days outstanding of 27 days	Not Achieved	Total debtors outstanding of R235m (includes impairment of R112m).
		Creditors days	Creditors days outstanding of 45 days	Creditors days outstanding of > 45 days	Not achieved	Lack of cash and delay in funding to pay creditors. Funding negotiations in progress. Total outstanding R899m including accruals.
		Stock days	Implement efficiency ratios	Efficiency ratios implemented and being monitored	Achieved	Driven by low stock turnover (see below).
		Stock turnover	Implement efficiency ratios	Efficiency ratios implemented and being monitored	Achieved	Low stock turnover due to non-payment of suppliers and philately stock (Mandela folders) not selling as anticipated.

STRATEGIC GOAL 1: IMPLEMENT THE STRATEGIC TURNAROUND PLAN TO ACHIEVE A SUSTAINABLE ORGANISATION

STRATEGIC OBJECTIVE	KEY PERFORMANCE AREAS	KEY PERFORMANCE INDICATOR	2015/16 ANNUAL TARGET	2015/16 ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET
Achieve financial sustainability	Balance sheet SAPO Group (excluding Postbank)	Solvency and Liquidity Current assets / current liabilities	1:1	1:06	Not achieved	Insufficient income generated to fund operating activities.
		Gearing ratios (Debt / equity)	-143%	-5621%	Not achieved	The gearing ratio indicates that SAPO's Group liabilities exceeds the shareholders equity. The negative ratio for 2015/16 financial year resulted after the negative equity of R183 million. Post Office investment reserves remain fully depleted due to the poor revenue performance during the year. Short-term obligations have increased significantly, as operations were unable to generate funds to meet the short-term obligations.

STRATEGIC GOAL 2: CREATE A CUSTOMER CENTRIC ORGANISATION TO RESTORE CUSTOMER CONFIDENCE

STRATEGIC OBJECTIVE	KEY PERFORMANCE AREAS	KEY PERFORMANCE INDICATOR	2015/16 ANNUAL TARGET	2015/16 ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET
Improve the customer experience to achieve customer loyalty	Customers	Customer satisfaction	Customer satisfaction index	Servey not done due to operational and financial challenges	Not achieved	Will be conducted once SAPO brand recovers and Funding becomes available.

STRATEGIC GOAL 3: POSITION SAPO AS A KEY SERVICE PARTNER THAT DELIVERS GOVERNMENT SERVICES

STRATEGIC OBJECTIVE	KEY PERFORMANCE AREAS	KEY PERFORMANCE INDICATOR	2015/16 ANNUAL TARGET	2015/16 ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET
Grow to levels of 50 - 55% of SAPO revenue per annum	Government business	Implementation of cabinet memo	30% of Government business	The government customer value proposition has been developed. Departments have been sensitized to SAPO service offerings.	Not Achieved	Implementation of STP initiatives did not materialize as anticipated due to lack of funding, Commercial structure still to be finalized. A task team has been established to pursue this initiative.
		Number of accounts	Develop and implement			
		Revenue from Government	Develop and implement			

STRATEGIC GOAL 4: CORPORATISATION OF POSTBANK AND INCREASE ACCESS TO FINANCIAL SERVICES

STRATEGIC OBJECTIVE	KEY PERFORMANCE AREAS	KEY PERFORMANCE INDICATOR	2015/16 ANNUAL TARGET	2015/16 ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET
Facilitate the corporatization of Postbank	Bank registration	Obtain section 16 approval to register a bank	50%	<50%	Not achieved	SARB has the sole discretion on the meetings in this regard. Awaiting SARB's bank application committee's deliberations, to be scheduled in April 2016.
Increase access of financial services to the unbanked	Provide banking services	Grow the Postbank depositors book	5%	Deposit book grew by 0.2% when compared to 31 March 2015	Not achieved	The tough economic situation is impacting on Postbank customers' ability to save and transact. Furthermore competition in the market has intensified as other banks are offering more attractive customer value propositions (CVPs) when compared to Postbank e.g. lending, internet banking, own ATMs etc. Initiatives are underway to enhance Postbank's CVP and to grow the deposit book.

STRATEGIC GOAL 5: ENSURE GOOD CORPORATE CITIZENSHIP AND CORPORATE GOVERNANCE						
STRATEGIC OBJECTIVE	**KEY PERFORMANCE AREAS**	**KEY PERFORMANCE INDICATOR**	**2015/16 ANNUAL TARGET**	**2015/16 ACTUAL PERFORMANCE AGAINST TARGET**	**TARGET ACHIEVED OR NOT ACHIEVED**	**REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET**
Ethical Leadership	Improving the ethical environment of the organisation	Effective ethics office	Establish the ethics office	Not done	Not achieved	The establishment of an Ethics Office is the crucial next step to increase the focus on governance. The intention is to create a dedicated Compliance and Ethics team to promote, monitor and implement an ethics and compliance plan in the new financial year.
Sustainability targets	Environmental sustainability	Reduce electricity consumption	Reduce electricity consumption by 3% over prior year	Decreased by 27.8%	Achieved	Target = 22 070 103 KWh Actual = 15 925 644 KWh
		Reduce total carbon emissions	Reduce 2.5% of total emissions from prior year	Decreased by 13%	Achieved	Target = 12 263 CO2e Actual = 10 664 CO2e
Legal compliance	Adherence to PFMA	Elimination of Irregular expenditure	Reduction of 100%	Submissions made to Exco for condonement of expenditure	Not Achieved	SAPO has established a Financial Mis-conduct Committee that meets monthly to review all cases on Irregular as well as Fruitless and wasteful expenditure. SAPO is evaluating the feasibility of using the SAP system to automate controls and contract management process to mitigate future losses.
		Minimise fruitless and wasteful expenditure	Reduction of 100%	Submissions made to Exco for condonement of expenditure	Not Achieved	

STRATEGIC GOAL 5: ENSURE GOOD CORPORATE CITIZENSHIP AND CORPORATE GOVERNANCE						
STRATEGIC OBJECTIVE	KEY PERFORMANCE AREAS	KEY PERFORMANCE INDICATOR	2015/16 ANNUAL TARGET	2015/16 ACTUAL PERFORMANCE AGAINST TARGET	TARGET ACHIEVED OR NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT OR OVER ACHIEVEMENT OF TARGET
Effective risk and governance	Risk management	Implementation of the Risk Mitigation Plan to support the STP	100%	Implementation will be done aligned to the Corporate plan 2016/17 as the feasible STP initiatives have been included as part of the Corporate plan for 2016/17	Not Achieved	Lack of funding. Government business not achieved as anticipated.
	Internal control environment	Operational audit issues to be resolved in a timely and effective manner to maintain a sustainable control and governance framework	Zero operational audit issues outstanding longer than 90 days	103 outstanding issues > 90 days	Not Achieved	There is no systemic breakdown in the control framework of the SAPO. The control framework is generally adequate, but ineffective. This can be attributed to: • Staff vacancies at critical points in the various processes • Poor competencies at tactical level • Inadequate management and supervision responsibilities - people just do not try to do the right thing (Attitude!) • Poor skills and competencies at the more strategic level • Ineffective consequent management and accountability processes A back-to-basic project across many of the key functional processes would be the most desirable way forward to improving the close-out of audit issues and the improvement of the control framework. In addition, the correct tactical and strategic responsibilities need to be identified and deployed to ensure maximum success and sustainable progress. This will receive significant focus in the new financial year by Management and oversight bodies.
Effective stakeholder management	Stakeholder relations	Stakeholder satisfaction survey	Develop and Implement survey	Not done	Not achieved	Framework for the survey being developed. Budgetary constraints.
		Timely submissions of statutory reporting requirements	100%	100%	Achieved	Quarterly performance reports are submitted by due dates as stipulated by DTPS.

CORPORATE GOVERNANCE REPORT

Corporate Governance Report

MANDATE, REGULATION AND LICENSE

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

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

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

REGULATION

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

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

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

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

LEGISLATIVE AND GOVERNANCE FRAMEWORK

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

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

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

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

In support of the Shareholder's drive to impact positively on poverty alleviation and the social wellbeing of all citizens, the SA

Post Office engages in a range of support activities, such as serving as a conduit for BBBEE share schemes and a vehicle for the payment of government services. Through Postbank, the company also provides accessible and affordable banking to the unbanked and lower income segment of the population.

SA POST OFFICE GROUP SHAREHOLDING STRUCTURE

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

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

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

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

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

THE MANDATE OF THE BOARD

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

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

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

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

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

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

INDEPENDENCE OF THE BOARD

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

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

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

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

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

COMPOSITION OF THE SA POST OFFICE BOARD

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

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

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

BOARD MEMBERS

Dr Simo Lushaba

Dr Lushaba runs Talent Growth Partners, a strategy, governance and executive coaching company based in Johannesburg. He also facilitates board development and board assessment programs for the Institute of Directors of Southern Africa (IoDSA). He previously worked as a General Manager for Operations at Transnet Freight Rail, Chief Executive at Rand Water and Vice President at Lonmin. He was also a member of the Presidential Review committee on State – owned enterprises. He was Administrator of the South African Post Office (SAPO). He also serves on the boards of Harmony Gold (Ltd), Cashbuild Ltd, GVSC Communications (Pty) Ltd and Council of the University of Johannesburg. Previously he was Chairman of Pikitup Johannesburg Pty (Ltd), Talent Africa (Pty) Ltd and Spescom (Ltd). He also served as a director of Trans-Caledon Tunnel Agency (TCTA), Nepad Business Foundation, Rand Uranium (Pty) Ltd and Rand Water Services (Pty) Ltd.

Dr Lushaba holds the following qualifications: Bsc (Chemistry and Advanced Biochemistry), BSc (Hons) (Advanced Biochemistry) - UniZulu, Brewing Associate Diploma Inst. of Brewing - UK, Post-Graduate Diploma in Company Directions – IoDSA, Masters in Business Administration (MBA) - Wales , Doctor of Business Administration (DBA) - UKZN , and Chartered Director South Africa (CDSA) – IoDSA.

His key areas of contribution in the board is leadership, strategy, corporate governance, logistics and operations.

Mr Phetole Elvis Rabohale

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

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

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

Ms Nomahlubi Victoria Simamane

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

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

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

Mr Robert Nkuna

Mr Nkuna runs his own business based in Midrand. Before that he worked as special advisor to the Minister of Energy, the Minister of Transport and the Minister of Communications. His experience includes serving as ICASA Councillor from 2006 to 2010, as Deputy Director: Policy at GCIS, General Manager: Communication at the SA Post Office, and Spokesperson for the Minister of Communications. He is a member of the Board of MDDA, serves on the Regulatory and Governance committee of the MDDA Board and serves on the Broadcasting and Media subcommittee of the Premier Soccer League of SA.

Mr Nkuna holds a Master's Degree in Public and Development Management (Wits). His key areas of contribution to the Board are in Government and Policy, and Regulatory and Governance.

Ms Lesego Marole

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

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

Ms Bulelwa Soci

Ms Soci is the Executive Head: Governance, Risk and Compliance at the Nedbank Group Finance Cluster. Prior to this role she served as the Head of of Internal Audit at Nedbank Group Internal Audit where she was responsible to provide assurance on the Bank's internal controls and governance processes over Market risk, Operational risk, compliance risk, credit risk and model risk for 7 years. Before joining Nedbank she worked in executive and senior management roles of Chief Operating Officer at Legae Securities Pty Ltd and Executive Director of its Board.

Ms Soci is a Chartered Accountant CA(SA)-2004 and possesses the following academic qualifications: Bachelor of Arts in Communication; Higher Diploma in Education; Bachelor of Accounting Sciences; BCom-Honours (Accounting); Accounting Professional Training Advanced Financial Management and Global Executive Development Programme.

Her area of contribution to the Board will be in Corporate Governance, Risk, Compliance, Internal Control, Internal and External Auditing, Project Management, Process re-engineering and Retail Banking business operations.

Mr. Mdu Zakwe

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

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

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

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

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

Dr Moretlo Molefi

B.Sc., MBCHB, TelemedDip, SMP

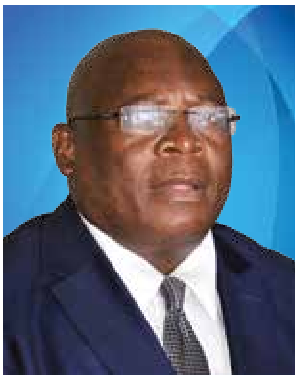
Dr. Lynette Moretlo Molefi is a South African medical doctor, a dynamic and versatile entrepreneur and business executive, with a reputation for exemplary leadership. She has been one of the few pioneers of telemedicine in South Africa and Africa with representations at various levels of government and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

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

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

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

Comfort Ngidi



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

Qualifications:

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

Mr. Mark Barnes

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

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

In January 2016, Mark joined the South African Post Office as CEO, to head up a turnaround strategy at the SOE. Never without an opinion, Mark has a weekly colum in Business Day: Strategy Talk (which is also discussed on DSTV).

Ms Nichola Dewar

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

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

DIRECTOR	OFFICE	DESIGNATION	CHANGES
Dr SD Lushaba	Chairperson of the Board: Group	Non-executive Independent	Appointed 15 August 2015 as Chairperson of the Board /
Ms BP Soci	Deputy Chairperson of the Board: Group	Non-executive Independent	Appointed 15 August 2015
Mr CJ Hlekane	CEO: Group / Director: CFG / Director: Docex / Director: Sapos Properties	Executive	Resigned 01 September 2015
Ms K Mzozoyana	CFO: Group / Director: CFG / Director: Docex / Director: Sapos Properties	Executive	Resigned 10 February 2016
Mr M Mathonsi	Acting CEO: Group / COO: Group	Executive	Appointed 01 July 2014 as COO / Acting CEO from 03 October 2014 / Resigned 31 November 2015
Mr MA Barnes	CEO: Group	Executive	Appointed 25 January 2016
Ms NJ Dewar	Acting CFO: Group	Executive	Appointed 16 July 2015
Mr JS Ngubane	Director: Group	Non-executive Independent	Appointed 15 August 2015 / Resigned 25 February 2016
Dr LM Molefi	Director: Group	Non-executive Independent	Appointed 15 August 2015
Mr ME Zakwe	Director: Group	Non-executive Independent	Appointed 15 August 2015
Ms MLD Marole	Director: Group	Non-executive Independent	Appointed 15 August 2015
Ms NV Simamane	Director: Group	Non-executive Independent	Appointed 15 August 2015
Mr PE Rabohale	Director: Group	Non-executive Independent	Appointed 15 August 2015
Mr R Nkuna	Director: Group	Non-executive Independent	Appointed 15 August 2015
Mr ZC Ngidi	Director: Group	Non-executive Independent	Appointed 15 August 2015

BOARD OF DIRECTORS

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

ATTENDANCE OF SAPO BOARD OF DIRECTORS MEETING AND COMMITTEE MEETINGS 15 AUGUST 2015 TO 31 MARCH 2016

NAME	DESIGNATION	APPOINTMENT / RESIGNATION	SAPO BOARD	CFG BOARD	DOCEX BOARD	AUDIT & RISK COMMITTEE	IT GOVERANCE COMMITTEE	POSTBANK COMMITTEE	REMUNERATION & HR COMMITTEE	SOCIAL & ETHICS COMMITTEE	STAMP ADVISORY COMMITTEE	STRATEGIC TURN AROUND PLAN (STP) COMMITTEE
Dr DSS Lushaba	Administrator	10 November 2014 to 14 August 2015	Only one Annual General Meeting, 22 December 2014 (Board) – No Board and Committee meetings were conducted									
Dr DSS Lushaba	Chairperson	Appointed 15 August 2015	# 3 out of 3	-	-	-	-	-	-	-	-	-
Ms BP Soci	Deputy Chairperson	Appointed 15 August 2015	3 out of 3	-	-	3 out of 6	-	1 out of 2	-	-	-	-
Ms MLD Marole	Non Executive Director	Appointed 15 August 2015	3 out of 3	-	-	-	-	1 out of 2	# 3 out of 3	-	-	-
Dr LM Molefi	Non Executive Director	Appointed 15 August 2015	3 out of 3	-	# 1 out of 1	-	-	-	1 out of 3	3 out of 3	-	-
Mr ZC Ngidi [DBN]	Non Executive Director	Appointed 15 August 2015	3 out of 3	-	-	-	-	-	2 out of 3	# 3 out of 3	-	-
Mr RD Nkuna	Non Executive Director	Appointed 15 August 2015	2 out of 3	-	-	-	-	-	-	-	# 1 out of 1	2 out of 2
Mr PE Rabohale	Non Executive Director	Appointed 15 August 2015	3 out of 3	# 2 out of 2	-	5 out of 6	-	-	-	-	1 out of 1	-
Ms NV Simamane	Non Executive Director	Appointed 15 August 2015	2 out of 3	-	-	-	3 out of 3	-	-	0 out of 3	-	# 2 out of 2
Mr ME Zakwe	Non Executive Director	Appointed 15 August 2015	3 out of 3	2 out of 2	-	# 6 out of 6	# 3 out of 3	-	-	-	-	1 out of 2
Mr SJ Ngubane	Non Executive Director	15 August 2015 to 1 March 2016	3 out of 3	-	1 out of 1	-	2 out of 3	# 2 out of 2	-	-	-	1 out of 2
Mr MA Barnes	Group CEO	Appointed 15 January 2016	1 out of 1	-	-	-	-	-	-	-	-	-
Ms NJ Dewar	Acting CFO	Appointed 17 July 2015	2 out of 2	-	-	-	-	-	-	-	-	-
Mr M Mathonsi	Acting CEO	Resigned from the Board 30 November 2015	1 out of 1	-	-	-	-	-	-	-	-	-
Mr NST Ndlazi	Acting CEO	1 November 2015 to 15 January 2016	2 out of 2	-	-	-	-	-	-	-	-	-

CHAIRPERSON

COMMITTEES OF THE BOARD

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

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

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

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

- Audit and Risk Committee
- Postbank Committee
- Remuneration and Human Resources Committee
- Nominations Committee (ad hoc Committee)
- Social and Ethics Committee
- IT Governance Committee
- Stamp Advisory Committee
- Strategic Turnaround Plan Committee

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

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

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

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

AUDIT AND RISK COMMITTEE

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

The committee also monitors, evaluates and advises the Board on the adequacy of risk management processes and strategies within the Group and recommends the approval of risk policies to the Board. It further reviews significant risks facing the company and reports these to the Board. The scope of the Committee extends across the Group to include the subsidiary companies whose products and processes expose the Group to Credit Risk, Liquidity Risk, Market Risk, Balance Sheet Risk and Operational Risk within the legislative and regulatory framework that governs the SA Post Office Group. Representatives of Group Risk Management, Internal Audit, the Security and Investigations division and all core Business Units attend all meetings of the Committee.

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

REMUNERATION AND HUMAN RESOURCES COMMITTEE

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

POSTBANK COMMITTEE

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

IT GOVERNANCE COMMITTEE

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

SOCIAL AND ETHICS COMMITTEE

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

STAMP ADVISORY COMMITTEE

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

STRATEGIC TURNAROUND PLAN (STP) COMMITTEE

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

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

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

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

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

Ms Nomahlubi Simamane (Chairperson)

Mr Robert Nkuna

Mr Mdu Zakwe.

SUBSIDIARY COMPANIES

THE COURIER AND FREIGHT GROUP

The Courier and Freight Group (CFG) is an operating subsidiary company of the South African Post Office. CFG has its own Board of Directors which is accountable to the SA Post Office Group which is the sole Shareholder. The company provides courier services which range from overnight to seventy two hour delivery, as well as express freight for consignment ranging from twenty kilograms up to thirty tons. The Board of Directors of CFG comprises of non-executive directors appointed by the SA Post Office Group Board including independent non-executive directors with expertise in the courier and freight industry.

Board Composition

The following directors resigned during the year under review:

Mr CJ Hlekane (resigned 1 September 2015)

Ms K Mzozoyana (resigned 10 February 2016)

Mr M Mathonsi (resigned 31 November 2015)

The following directors were appointed during the year under review:

Mr PE Rabohale

Mr ME Zakwe

Mr MA Barnes

Ms NJ Dewar

DOCUMENT EXCHANGE GROUP (DOCEX) BOARD

The Document and Exchange Group (DOCEX) is an operating subsidiary company of the South African Post Office. DOCEX has its own Board of Directors which is accountable to the SA Post Office Group which is the sole Shareholder. The company provides a secure and expeditious delivery of documents, letters and parcels or postal articles within the country. The Board of Directors of DOCEX comprises of non-executive directors appointed by the SA Post Office Group Board including independent non-executive directors with expertise in the courier and freight industry.

Board Composition

The following directors resigned during the year under review:

Mr CJ Hlekane (resigned 1 September 2015)

Ms K Mzozoyana (resigned 10 February 2016)

Mr M Mathonsi (resigned 31 November 2015)

The following directors were appointed during the year under review:

Dr LM Molefi (Chairperson)

Mr ZC Ngidi

Mr MA Barnes

Ms NJ Dewar

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

AUDIT AND RISK COMMITTEE

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

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

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

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

STRATEGIC TURNAROUND PLAN (STP)

The Strategic Turnaround Plan (STP) was the document driving SAPO's activities in the year under review. The plan had 37 strategic initiatives that were to be implemented over 3 years. These included rationalisation of underutilised properties, parking of vehicles not required for operations, rationalisation of excessive discounts and growth in revenue, amongst others. Even though the anticipated revenue growth was not realised, cost savings were realised from the implementation of the STP initiatives. SAPO expenditure for the year in review was 12% (R 835m) below budget and a reduction of R 244m from the prior year. Of the targeted 3 year initiatives, 6 were accomplished in the year in review, 3 were deemed no longer feasible as they were dependent on tenders that SAPO did not win or that were not issued. The balance of the initiatives were carried over into the 2016/17-2018/19 Corporate Plan and will continue to be driven in order to achieve SAPO's turnaround

INTERNAL AUDIT

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

The primary scope in providing assurance includes:

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

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

RISK AND REGULATORY COMPLIANCE

RISK MANAGEMENT

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

The South African Post Office has adopted a risk management methodology that is aligned to Par.14 of the National Treasury Practice Note 4 of 2009/2010 issued in terms of Section 52 of PFMA as well as certain principles of the King III code. The Board through the Risk Management Policy and Framework (the Policy) has duly accepted accountability for risk management across the Group and has additionally established risk governance structures to monitor risk and compliance levels within the organisation.

The Policy is aimed at ensuring the deployment of a common and systematic risk management operating standards across operational activities within the South African Post Office. This is aimed at ensuring the timely identification and measurement of risks across the Organisation as well as the deployment of appropriate mitigation strategies.

The Board is responsible for the total risk management process within the Group as well as overseeing the implementation of mitigation strategies to address significant risks facing the Group.

Group 2015 – 2016 risk assessment

The SA Post Office's response plan aimed at stabilizing the organisation gave rise to the Strategic Turnaround Plan (STP). This strategy was formulated during the period the organisation was under administration. Subsequently, the Administrator in concert with management comprehensively risk assessed the said STP to identify risks that could potentially hinder its achievement. At the time the risk exposures were identified, it was acknowledged that the Organisation was already operating at "crisis mode" given that that it was placed under administration.

The STP broadly identified 32 initiatives. Against those initiatives, 23 risks were identified with 68 critical root causes. 63% of these risks were assessed as high to very high inherently while 50% were assessed as high to very high residually. Clearly indicating a fairly compromised control environment. To this end, a total of 91 mitigation actions were identified to manage or minimise the identified exposure. Management was duly mandated to reinforce an effective risk mitigation plan. In this regard, management was therefore required to establish, deploy and maintain risk response plans for their respective areas of responsibility and accountability to avert and manage the identified risks towards the achievement of the STP.

Top ten strategic Risks

The top ten strategic risks against the 2015/2016 strategy (STP) for the Group as incorporated in the Corporate plan are summarized below:

NO	RISK	INHERENT RISK	CONTROL RATING	RESIDUAL RISK
1	Eroded brand value- Inability to attract new business due to adverse reputation	Very High	Unsatisfactory	Very High
2	Business disruptions caused by exposure to labour unrests	Very High	Weak	High
3	Inability to maintain service levels	High	Weak	Moderate
4	Execution Risk. Inability to deliver on the STP	High	Weak	High
5	Cabinet decision to secure the 30% government business	Very High	Unsatisfactory	Very High
6	Inability to sustain and secure essential services from external providers	Very High	Weak	High
7	IT Infrastructure state of readiness	Very High	Weak	High
8	Operational Failures and inadequate BCP and DRP	Very High	Unsatisfactory	Very High
9	Loss of customers and market share	Very High	Weak	High
10	Human capital risks	High	Weak	Moderate

Status of Risk mitigation

Risk mitigation strategies for the Group's key risks are intended at improving the control environment and to mitigate those aspects that impact negatively on the following:

- The ability to build and grow an efficient and sustainable business;
- The ability to embed a robust risk management culture and promote overall compliance;
- The ability to align business operations to customer needs, shareholder priorities and government programmes;
- Appropriate procurement governance - failures and the impact on reputation across the procurement value chain (project initiation, specifications, sourcing, contract management and supplier performance management);
- The ability to enhance adequate internal controls, good governance, streamlining processes and enhancing efficient decision making;
- The ability to renew and design an appropriate infrastructure (Physical and IT systems) for the future; and
- Innovating new products and services.

The above were however not successfully implemented during the period under review, as also evidenced by the Organisation's non achievement of the STP as was anticipated. This was mainly due to the Organisation's inability to secure sufficient funding as well as the anticipated 30% government business both identified as key enablers and dependencies towards the successful implementation of envisaged risk management actions and therefore the achievement of the STP.

The following is a summary of the status of implementation of risk mitigation strategies during the period under review

INITIATIVES	RISKS	ROOT CAUSES	INHERENT		RESIDUAL		MITIGATION ACTIONS	IMPLEMENTATION STATUS		
32	23	68	26	38%	8	12%	91	Implemented	28	30%
			17	25%	25	37%		In progress	18	20%
			16	24%	12	18%		Not implemented	45	50%
			9	13%	23	34%				

Legend:

- Very high
- High
- Medium
- Low

Risk Financing

Additionally and to the extent considered appropriate, external insurance cover is used as one of the mechanisms to mitigate operational risks and transfer some risk to third parties in the insurance market, including:

- Cover for damage to property and equipment;
- Cover for business interruption;
- Comprehensive cover for crime, including electronic crime;
- Directors' and Officers' liability;
- Public liability cover;
- Cover for legal liability arising out of the use of non-owned aircraft; and
- Cover for liabilities or damages arising out of any activities of consultants, contractors, suppliers, vendors, manufacturers or other advisors and third party contractors appointed by the Post Office, etc.

The stabilisation of leadership arising from the appointment of a new Board in August 2015, (post the administration era), as well as the filling of vacancies at executive management level, were among others, aimed at ensuring effective risk management oversight.

To this extent the Board:

- Has established a combined Audit and Risk management Committee to oversee the Group's risk management program and monitor emerging risks that may emanate from changes in the corporate plan and external environment.

- Has duly delegated to management the responsibility to design, implement and monitor the risk management plan by delegating the day-to-day responsibility for risk management to management;
- Has assigned the responsibility for monitoring the implementation of the risk plan and the identified risks to the Group Executive: Governance and Regulatory Affairs as well as the Chief Risk Officer who are required to report to the Audit and Risk Management Committee on the steps being taken to manage or mitigate such risks;

REGULATORY COMPLIANCE

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

To this end, the South African Post Office has developed a regulatory framework encompassing business critical legislation that impacts the operations of the Group. This framework is then deployed at business and support unit level, and entrenched through the development, implementation, monitoring and evaluation of appropriate policies and procedures.

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

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

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

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee ("the Committee") is constituted as a statutory committee of the Board under section 72(4) of the Companies Act (read together with Regulation 43 of the Companies Regulations) as well as best practice recommendations in respect of social and ethical management.

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

This report describes how the committee discharged its responsibilities in respect of the financial year ended 31 March 2016 and will be presented to the shareholders at the annual general meeting to be held on 23 September 2016.

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

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

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

✓ The Employment Equity Act (EE); and

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

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

Membership of the Committee

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

Mr Comfort Ngidi (Chairperson)

Dr Moretlo Molefi

Ms Nomahlubi Simamane

The group chief executive officer, the group chief financial officer, the group chief operations officer, five other group executives are not members of the Committee but are permanent invitees to all Committee meetings.

Meetings

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

KEY FOCUS AREAS

Employment Equity and Broad Base Black Economic Empowerment

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

Code of Conduct and Business Ethics

During the year under review, the 2014 Ethics Survey and Implementation Plan was reviewed for implementation in 2016/17.

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

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

Ethics Hotline

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

OPERATIONS

Operations

MAIL

Mail Revenue for the year 2015/16 represents 67% of the SAPO operating revenue (excluding CFG) compared to 72% for the previous financial year.

The impact of the strike on operations and revenue

Although the major strike took place in the previous financial year, its consequences remained clearly visible in operations and the financial performance of 2015/16. The year was marked by the Post Office being under Administration.

Mail revenue is down compared to the previous year. Customers have indicated that they are using alternatives to the SA Post Office and some of their plans have been announced in the media. There is also a concerted effort from competitors to latch on to negative sentiment regarding the SA Post Office and the negative effects of the strike.

However, as part of the Commercial unit in the Post Office, Operations' revenue strategy focuses on recapturing the market and growing revenue in the government and private sector. This did not materialise as the non-payment of suppliers restricted proper service delivery.

Key deliverables for Operations during the year in review

The target for operational profitability of 40% was not met due the reduction of revenue and continued high infrastructure cost. Operations' operating profit was 12% below the target, primary due to the unavailability of funding and ineffective service delivery, which can be attributed to the consequences of the crippling strike in the previous year

The STP (Strategic Turnaround Plan) identifies five major initiatives in Operations. Three of these initiatives were not achieved due to lack of funding, non-payment of suppliers and delays in the consultative processes with organised labour. Two initiatives, namely, eliminating night shift and aligning sorting capacity with volumes, were achieved to such an extent that the overall STP target for Operations was exceeded by 50% (target of R80, 3m compared to an achievement of R120, 8m.)

Although Quality Management Systems were implemented across operations, the ISO certification audits were suspended pending the payment of the supplier.

The implementation of the lean management philosophy, design-thinking and a high-performance culture was delayed for most part of the year due to the challenges around funding.

The physical address rollout did not meet the set target of 500,000 addresses for the year, as only 261,340 addresses rolled out, representing 51, 2% of the target. Challenges around funding unfortunately impacted negatively on the physical address rollout, which is also reflected on the low number of addresses (29%) extended in rural areas.

Service delivery performance deteriorated primarily due to unavailability of operating funding and non-payment of suppliers. Performance was directly affected by the poor financial position of the company due to the unavailability of a wide range of resources across operations, such as of electronic sorting machines, vehicles, consumables, etc.

YEAR	2014/15	2015/16
Target	95%	92%
Across Town Performance	94,59%	82,62%
Between Mail Centres Performance	73,95%	52,69%
Overall /All categories Performance	82,50%	61,24%

Innovation in Operations to remain relevant

A new customer value proposition has been reviewed thus repackaging Post Office offerings to the market to ensure relevance and to position the organisation as long-term innovators. The optimisation and alignment of processes and systems continue to ensure focus is placed on the parcel business in support of the Commercial strategy.

Hybrid mail and Speed Services have been incorporated in operations to streamline service delivery from management and product perspective.

Challenges

Various challenges confronted Operations over the past financial year. The unavailability of funding was a key challenge and manifested in inadequate resources and services in Operational level.

Labour instability and low staff morale was experienced and unfortunately the overall financial constraints of the company contributed to a negative outlook by employees. The period was also marked by a continued decline of revenue across all product ranges together with impact of competition consolidating in the postal and courier industry (acquisition and mergers).

Operationally, the entity experienced high levels of delays because carryovers (meaning mail items that failed to be dispatched on standard) leading to delivery of mail on the eighth day instead of the third day throughout the year. This was primarily due to a lack of funding and outstanding payments owed to suppliers, leading to significant shortages in tools, equipment and consumables, e.g. containers, sorting machines, labels etc. Moreover, a significant forced reduction of 21% in the fleet impacted very negatively on service delivery and customer satisfaction.

Highlights

Manual processes within Securemail relating to recorded items received from Hybrid Mail were automated during the year. This resulted in the reduction of costs, increased volume throughput capacity and improved delivery times to customers.

A proposal was submitted on revising the Universal Service Obligation targets for 2016-2019 to ICASA (the licencing authority), for which approval is pending.

The optimisation in the Transport domain to become more efficient through various initiatives is laudable and reduced expenses for the 2015/16 financial year as part of the STP program.

POSTBANK 2015/16

Postbank's financial performance for the year ended 31 March 2016 reflected the impact of an increasing interest rate environment, with net interest income increasing to R422m from R380 m in the previous financial year. Net fee and commission income was lower at R176m (FY15: R215m) mainly as a result of lower transaction fees.

Postbank deposits due to the public decreased (by 1%) to R4.840bn (FY15: R4.896bn) predominantly as a result of a decrease in transactional account balances. The number of customer accounts decreased to 5.5m (FY15: 7.5m) mainly due to the exclusion of accounts that have been inactive for more than 12 months. Investments increased by 8% to R7.212bn (FY15: R6.688bn).

The financial year was characterised by high levels of instability and lack of progress. Most importantly, this period led to an above-average staff turnover, especially of the new and critical skills that had just been brought on board from the corporatisation side. We managed to keep specific items on track, namely:

- The Postbank Board nominees BA020 process, which is a requirement that any nominees submitted to the SARB should be assessed for being 'fit and proper';
- KPMG was appointed to assist in the delivery of the Section 15 and 16 process, which is the Incorporation and the final banking license application process, respectively;
- The Postbank strategy formation process was initiated in preparation for engagement/presentation to the Postbank Committee and finally Post Office Board for approval/concurrence; and
- Postbank restarted the key-staff capacitation process.

The Postbank Core banking Platform UBS has recently been upgraded from Oracle Flexcube (FCR) version 5.8 to the universal banking platform (UBS). This upgrade was completed and implemented in November 2014. However, due to poor infrastructure capacity planning, the system users experienced poor performance in early 2015 due to low storage capacity. To fix this problem, capacity on demand (COD) was procured and loaded to the hosting infrastructure in October 2015. Since then the system has been stable.

However, capacity benchmarking still needs to happen to calibrate the performance and to stabilise the active-active production environment, especially as Postbank is corporatising and taking additional customers on board. Thereafter, focus will be on routine maintenance and enhancement. In terms of security, a separate project is also ongoing to secure the core banking platform with the oracle security products. This project is due to complete by quarter 3 2017.

Similarly, as a continuation of the renewal of the banking platform, the upgrade of the financial switch Postilion (from version 4.3 to version 5.5) is currently ongoing. This upgrade will move the switch to a supported version that is fit for purpose for Europay, MasterCard, and Visa compliance (EMV compliant). This project will also mitigate the risk around the lost Postbank hardware security mode (HSM) keys by commissioning the new hardware security modules (HSM Thales 9000) responsible to store and manage the PIN keys for Postbank card holding customers.

Customer achievements for the 2015/16 financial year are:

- TV and Radio marketing campaigns activated during January and ongoing – Brand, Smart Save and Bakgotsi. Postbank has seen the growth in new accounts.
- Numerous financial Inclusion/literacy/marketing supported in line with the Banking Association of South Africa (BASA). 49 Activities reached 42.500 learners.
- Concluded an agreement with Eastern Cape Department of Public Works (ECDPW) with the potential to bank 48,000 new customers.
- Acquired two new corporate accounts with a high profit potential (16% growth in number of corporate accounts).
- A large number of semi-dormant accounts were reactivated as part of ongoing outbound call centre efforts (of a sample of 71.000 semi-dormant accounts, 23% reactivated).
- FAIS training agreement concluded with a vendor in order to assist Postbank and SAPO in achieving compliance with the Financial Services Board (2000 FAIS affected employees to be trained of prepared to write level 1 RE5 exams over a period of 2 years, starting from 1 August 2016 to August 2018).

RETAIL

The SA Post Office's branch network consists of 1 520 fully-fledged branches and 747 retail postal agencies.

Cash-flow problems made it impossible to pay rental for all rented properties on time and as a result, outlets were closed by landlords. At the end of the financial year the status of our branches was as follows:

	EVICTED AND PERMANENTLY CLOSED	LOCKED OUT	ELECTRICITY CUT	SUMMONS RECEIVED	LETTER OF DEMAND	TOTAL
	NOT TRADING		MANUAL TRADING	NORMAL TRADING		
Number of Branches affected	32	7	0	22	212	273

Almost 100 Retail Postal Agencies became inactive due to payment deficiencies. With the company receiving funding only after the end of the financial year, some closed branches may be revisited. The delivery network remains the SA Post Office's main competitive advantage for delivering a wider range of services to customers in all parts of the country in order to grow revenue streams.

The Quality reviews at our branches were also under pressure due to the financial challenges of the organisation. Under normal circumstances a minimum of two audits per branch would have been conducted. During the financial year only one review per outlet was concluded. The conformance assessment results increased with a 3% margin improvement compared with the previous year.

Another area that also negatively impacts on customer service is the point of sale infrastructure (hardware) and peripherals that is ageing – more than 10 years – and need replacement as a matter of urgency. To date a total of 594 out of 4 500 pin pads need either replacement or repair. The funding to be made available in the new financial year will address the matter.

The SA Post Office offers – on behalf of various institutions - items such as angling and hunting licence renewals and applications, TV licence applications and annual payments, payment of utility bills for municipalities and state-owned enterprises as well as payment of traffic fines. It is services of this nature that the company will now seek to expand.

The system for paying motor vehicle licences, in five provinces, is particularly successful with more than 3 million motor vehicle licences renewed at SA Post Office branches during the year. The following table provides an analysis of the growth in this service in respect of our number of transactions:

MVL				
DESCRIPTION	**2014/2015**	**2015/2016**	**VARIANCE**	**% GROWTH / DECLINE**
Transactions	3 601 174	3 732 279	131 105	4%

The cash-flow problems mentioned above meant that, at times, Post Office branches could not offer the MVL service, as outlets ran out of consumables such as paper and printer cartridges. At times, branch employees bought consumables from their own pockets – a sign of their commitment to their customers and to the South African Post Office. Similarly, employees took over the cleaning of branches when the company could no longer afford external cleaning services or had no staff to undertake such.

Although our compliments reduced with 9% compared to the 2014/15 financial year, the complaints also showed a definite decline of more the 40% for the same period.

A service with an enormous revenue potential is the money transfer services available to post offices in Zimbabwe, Botswana, Uganda, Mauritius, Swaziland, Lesotho, Nigeria, Malawi and Mauritius. There is a huge demand for remittances from South Africa to other African countries and there are initiatives to take further advantage of the revenue stream.

For the period under review, the following transactions were concluded:

IFS APRIL 2015 – MARCH 2016			
INTERNATIONAL MONEY ORDERS		**TOTAL**	
FROM	**TO**	**VOLUME**	**VALUE**
Botswana	South Africa	895	R981 341.04
Lesotho	South Africa	101	R77 812.12
Nigeria	South Africa	4	R5228.96
Swaziland	South Africa	0	R0.00
Zimbabwe	South Africa	1016	R2 394 994.57
Total		**2016**	**R3 495 376.68**

IFS APRIL 2015 – MARCH 2016				
INTERNATIONAL MONEY ORDERS		**TOTAL**		
FROM	**TO**	**VOLUME**	**VALUE**	**INCOME**
South Africa	Botswana	1503	R1 940 667.61	R84 803.45
South Africa	Kenya	118	R230 760.00	R7 536.70
South Africa	Lesotho	603	R631 949.60	R32 259.00
South Africa	Malawi	9	R25 530.00	R760.20
South Africa	Nigeria	8	R22 684.00	R595.30
South Africa	Swaziland	9	R0.00	R0.00
South Africa	Tanzania	1	R400.00	R35.40
South Africa	Uganda	0	R0.00	R0.00
South Africa	Zimbabwe	182	R280 646.92	R10 831.65
Total		**2433**	**R3 132 638.13**	**R136 821.70**

During October 2015, the launch of the Broadcasting Digital Migration (BDM) project took place in Keimoes, Northern Cape. The South African Post Office has been appointed as the registration and distribution agent for 5.2 million households who are to receive a set top box and an antenna or dish. This will enable the freeing of spectrum and realisation of the digital dividend.

- A total of **10 814** needy households have been registered at branches in the Northern Cape, Free State, Limpopo and Mpumalanga Provinces.
- Notifications (SMS and letters) have been sent to **3 179** beneficiaries in the Northern Cape for the collection of their equipment at branches.
- **2 639** Households in the Northern Cape have received their equipment and it was installed by the 9 different installation companies.

The BDM project represents an opportunity for the South African Post Office to demonstrate to not only its shareholder, the South African government, but also to the broader South African community that it is still relevant and able to deliver on its value proposition.


Post Office
Poskantoor
Regional Office

BUSINESS SUPPORT

Environmental Sustainability

The goal of the Environmental Sustainability program is to promote sustainably designed systems that support the three pillars of sustainability: people, planet and profits. The sustainability systems seek to balance ecological protection and stable economic conditions. This Group Sustainability report consolidates an overview of the environmental sustainability performance over the past financial year 2015/2016.

GRI INDEX

CATEGORY: ENVIRONMENTAL		
ASPECT: MATERIALS		
G4-DMA	Generic Disclosures on Management Approach	Report how the organization manages the material Aspect or its impacts.
G4-EN1	Materials used by weight or volume	Report the total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by:
G4-EN2	Percentage of materials used that are recycled input materials	Report the percentage of recycled input materials used to manufacture the organization's primary products and services.
ASPECT: ENERGY		
G4-DMA	Generic Disclosures on Management Approach	Report how the organization manages the material Aspect or its impacts.
G4-EN3	Energy consumption within the organisation	Electricity consumption
G4-EN6	Reduction of energy consumption	Report the basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it.
ASPECT: WATER		
G4-DMA	Generic Disclosures on Management Approach	Report how the organization manages the material Aspect or its impacts.
G4-EN8	Total water withdrawal by source	Report the total volume of water withdrawn from the following sources: • Municipal water supplies or other water utilities
ASPECT: EMISSIONS		
G4-DMA	Generic Disclosures on Management Approach	Report how the organization manages the material Aspect or its impacts.
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Report gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances.
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	a. Report gross energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances. b. Report the chosen base year, the rationale for choosing the base year, emissions in the base year, and the context for any significant changes in emissions that triggered recalculations of base year emissions. c. Report standards, methodologies, and assumptions used.

The SA Post Office provides services such as mail delivery, banking, courier and freight, nationally and internationally. Providing these services has a direct and indirect impact on the environment (soil, air, and water) though use of the company fleet, business travels, buildings (electricity and water) and the use of paper and other resources.

The Environmental Sustainability report for the year 2015/2016 was developed using the GRI reporting tool. The report illustrates the company's impact as primary polluters which will be shown as scope 1 and secondary polluter as scope 2. Scope 2 pollution occurs when the company emits pollutants by using vehicles that are not owned by the company and from the use of electricity.

METHODOLOGY

CARBON MANAGEMENT

The carbon management section is divided into two sections. Scope 1 emissions (direct emissions) are the annual data for fleet, compiled for carbon management. The data is collected from the transport and logistics business unit. The litres of fuel consumed are used to calculate the carbon emissions and the data is converted into kilotons of CO_2 emissions by means of a carbon calculator.

Scope 2 carbon emissions (indirect emissions) are derived from energy statements for the SA Post Office which are collected from electricity bills. The energy data is recorded in kilowatt hours (KWh) which is used to calculate scope 2 emissions. The carbon calculator is again used to calculate the carbon emissions in kilotons of CO_2. The set targets are 2.5% reduction from the previous year for energy.

ENERGY AND WATER MANAGEMENT

Water and electricity consumption readings for all buildings owned or rented by the SA Post Office are recorded in kilolitres (KL) and kilowatt hours (KWh) respectively. The data is derived from the monthly bills that are sent by municipalities, service providers and landlords.

WASTE MANAGEMENT

Material consumption and recycling are the indicators for waste management. The target for paper consumption is a reduction of 2.5% compared to the year before, and for 95% of all paper to be recycled.

RESULTS AND DISCUSSION

CARBON MANAGEMENT

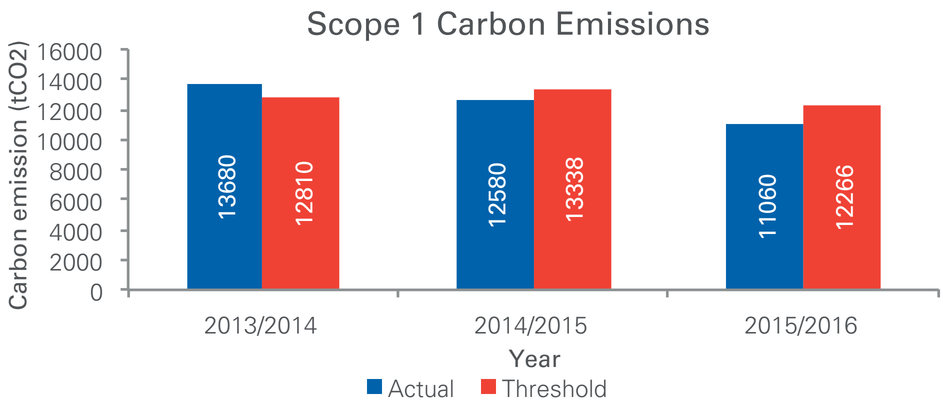


Figure 1: Scope 1 Carbon Emissions

Scope 1 emission target was met by emitting 11060 tons for the year 2015/2016; the target was met and exceeded by 9.8%.

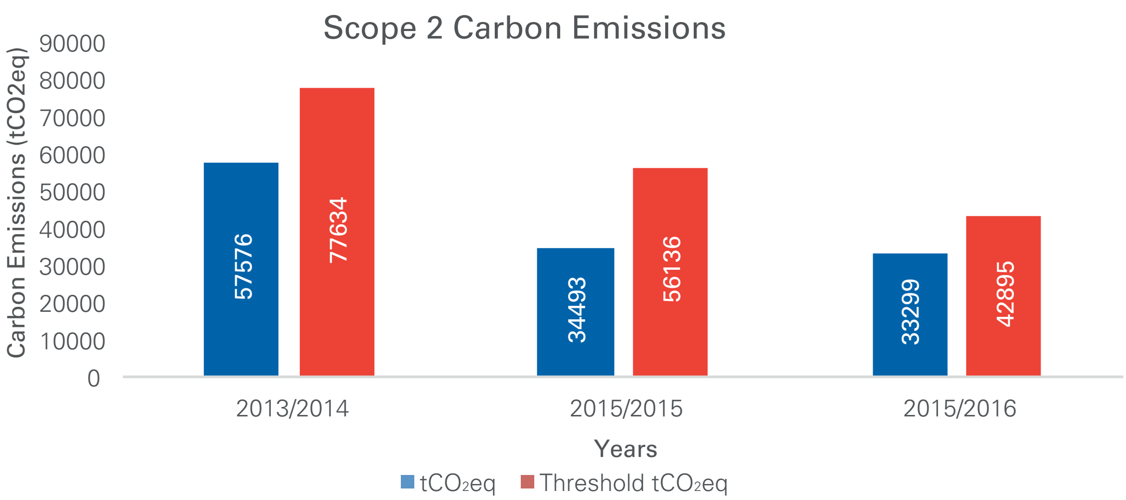


Figure 2: Scope 2 Carbon Emissions

Scope 2 target was met. The emissions of 33 299 tonnes were 22% below the target.

ENERGY AND WATER MANAGEMENT

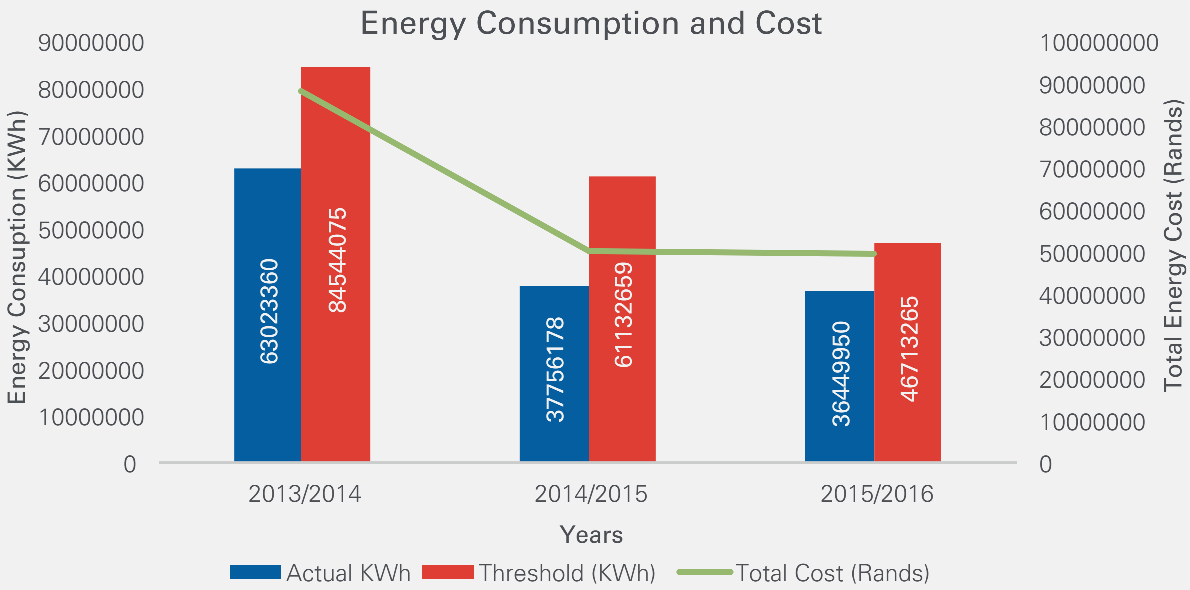


Figure 3: Total Energy consumption and Cost

Note: The above targets for 2014/2015 were recalculated, to facilitate a more accurate target aligned to the growing number of buildings that the unit is reporting on.

Energy use during 2015/2016 was reduced by 25% compared to the year before. The SA Post Office saved 1.4% in cost of electricity compared to the previous year. No reduction initiatives and projects were implemented during this period, so it the improvement is attributed to better employee awareness of energy usage. Part of the reduction could also be due to branches that were closed.

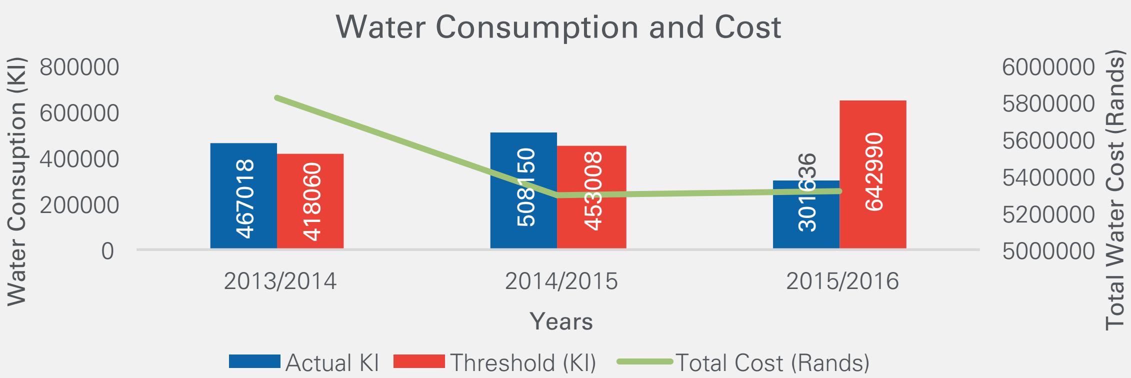


Figure 4: Water Consumption and Cost

Note: The above targets for 2014/2015 were recalculated, to facilitate a more accurate target aligned to the growing number of buildings that the unit is reporting on.

The water data indicates that the consumption was 53.09% below target. There was a reduction of 56.09% reduction from the previous year's consumption. On the cost side there was a slight increase of 0.33% when compared to the previous year. There were no initiatives or projects implemented for water usage so the change could be based on municipal billing and change of employee behaviour.

WASTE MANAGEMENT

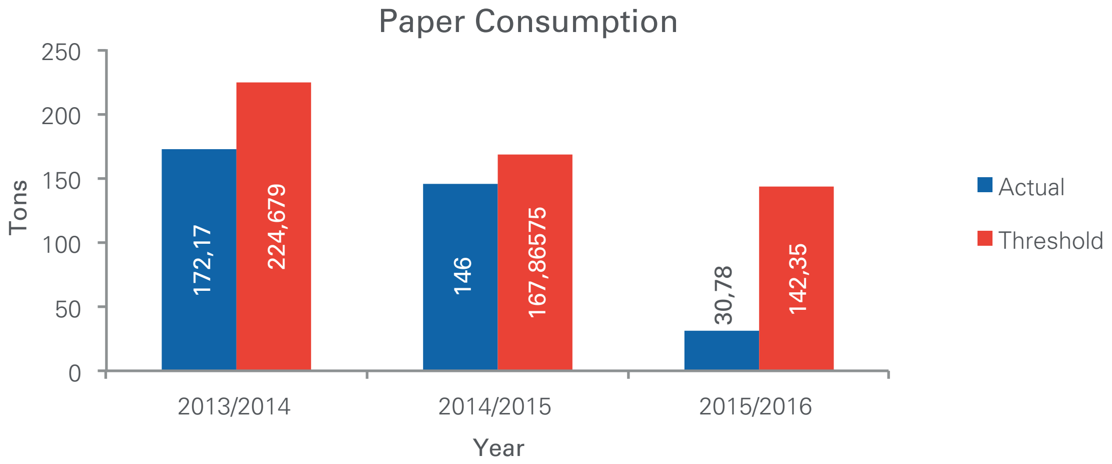


Figure 5: Paper consumption

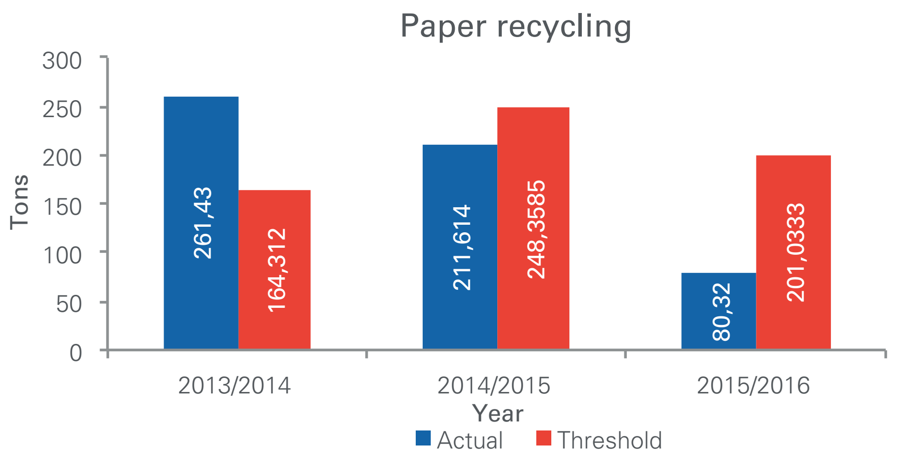


Figure 6: Paper recycling

The paper consumption trend shows a decline in the usage of paper by 78% in 2015/16, the total reduction being 81%. This is attributed largely to the company's financial circumstances. Recycling figures dropped due to less materials being used.

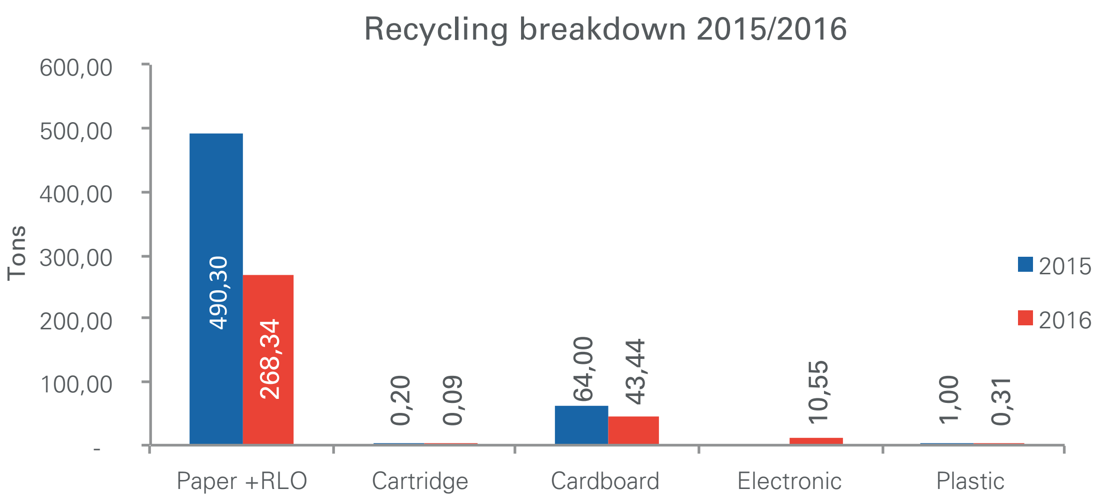


Figure 7: Recycling breakdown profile for materials

Recycling during the 2015/2016 financial year generated R27 521.50 from recycling 80.32 tons of paper, while 43.44 tons of cardboard was recycled, generating R16 669.80. Recycling plastic generated R109.55 with 0.31 tons, whilst cartridges weighing 0.09 tons generated R3 028.19. The total revenue from recycling for 2015/16 financial year was R47 329.04.

HUMAN CAPITAL MANAGEMENT

The South African Post Office continues to nurture talent through appropriate training and development and systematically improve the working environment so that everyone experiences it as an excellent place to work. While business strategy provides the direction for its varied efforts, it is the people in the company who seal the success of the organisation. For this reason, Human Capital Management is taking steps to imbue a culture of performance, service and responsibility in the organisation.

Staff establishment

The Post Office's staff establishment at the beginning of the financial year was 22 447, but by 31 March 2016 it had dropped to 21 590. This reduction of 1447 is attributed mainly to the financial problems the company had during the year. Eight new appointments were made during this period, mostly at executive level

	SAPO	CFG	DOCEX
Figures at 31 April 2015	21 590	761	96
Attrition during financial year	-1423	-10	-14
Figures at 31 March 2016	20 167	751	82
Attrition during financial year	-7%	-1%	15%

Permanent full time vs permanent part time employees

Due to the fact that temporary employment (permanent but not full time employment) posed a risk to the organisation, the number of part time (permanent but not full time) employees was successfully reduced by 555 during the year. However, at CFG the number increased by 67 employees to satisfy the fluctuating operational requirements for special projects such as the Department of Education Textbook delivery project.

Business Unit Spread

Mail Business and Retail business units have the highest number of employees at 47% and 32% of the total workforce respectively. Retail has a high number of vacancies due to a moratorium on filling positions. Casuals are currently employed in these permanent positions.

Age Analysis

The Post Office workforce is mostly within the 40-49 age group. The Post Office has an ageing workforce with an average age of 41.92. The average age of operational employees is 50 years, so in five years there will be a real risk of losing these employees. They will then be eligible for early retirement.

Preparation for these changes will include succession planning, talent management, training and development and coaching of staff to progress into these roles. Recruitment will be focused on Generation Y employees in order to create a pool of younger professionals.

Race and gender

The highest percentage of employees is African (75%) and the lowest Indian (3%), which is in line with employment equity targets.

AFRICAN			COLOURED			INDIAN			WHITE		
FEMALE	MALE	AFRICAN TOTAL	FEMALE	MALE	COLOURED TOTAL	FEMALE	MALE	INDIAN TOTAL	FEMALE	MALE	WHITE TOTAL
7302	8577	15879	972	1507	2479	175	461	636	1178	828	2006

Employment Cost

The SA Post Office's Groups total salary cost for the year is R3,482 billion. It was reduced by R268 million from the amount of R 3,75 billion during the previous financial year that equates a 7% reduction. Employment costs are highest at supervisory and managerial level - this includes specialists. The structure is being revised to ensure optimal functioning of the organisation and further reduce salary costs.

Leave Liability

Leave liability is one of the major contributors to the cost of Human Capital. The cost of this liability have fluctuated, when specific focussed initiatives were put in place, but have not shown a consistant downward pattern. The amounts for the last three financial years were as follows:

2014	2015	2016
R 225 921 346,61	R 237 044 500,95	R 220 341 374,96

To ensure a lasting and long-term reduction of leave liability the Leave Policy have been changed and approved for consultation with organised labour and then implementation. The reduction of staff numbers through the VSP (Voluntary Separation Package) process that will be effective during the 2016/17 financial year, will also have an positive impact on this liability.

Learning and Development

The financial situation of the organisation remains a challenge for Learning and Development, but preparation and planning for implementing interventions are in progress. The focus in the 2016 financial year was on updating Product Knowledge and Customer Service programmes, training in Treating Customers Fairly (TCF) and compliance initiatives with emphasis on preparatory workshops for FAIS. This training will be completed in November 2016 and 2000 employees will be trained by them.

In line with requirements of the Financial Services Board, a service provider was procured to conduct workshops to assist the identified workforce segments within SAPO to write their RE 5 level 1 exams successfully. Training will only start in the 2016/2017.

Other compliance training was done as below:

TYPE OF TRAINING	NUMBERS TRAINED	IMPLEMENTATION DATE
OHSA	14	February-March 2016
Forklift driver training (novice and renewal)	19	January 2016
Air Cargo Security (Part 108)	18	February 2016

Systems training was provided to ensure that products and services can be provided to customers and included the following:

TYPE OF TRAINING	NUMBERS TRAINED	IMPLEMENTATION DATE
Root Cause Analysis	36	March 2016
Digital Terrestrial Television(DTT)	572	Jan-March 2016
National Office Control System	5	January 2016

Skills and Qualifications Audit

An audit was done to ensure that the organisation has a database of the skills and qualifications of all employees, and 50% of employees have submitted their information by end of March 2016. This will assist to identify critical and scarce skills in order to close developmental gaps.

SETA grant refunds have progressively declined in the last three years due to lower levels of training that can be claimed for. In the 2016 financial year the grant refund was R3, 6 million vs. R12 million in 2011. However, the Workplace Skills Plan (WSP) has been submitted and delivery of the identified interventions will commence as soon as funding becomes available.

Critical Vacancies

In Retail the Branch Manager vacancies are regarded as critical and it amounts to 17% of approved Branch Managers positions

A total 28 positions in Postbank have been identified as critical and currently being advertised. The most critical position that needs to be filled is the Chief Information Officer.

In Post Office top management structure, the appointment of a Chief Operations Officer as well as a Chief Financial Officer, it is critical to fill these positions.

Employment Relations

During the period under review, the recognised labour unions CWU, Depacu and SAPWU have most members from the operational employment and supervisory levels.

Preparation for negotiations with the three recognised unions took all the attention with regard to strategy and content of proposed agreements that included outstanding labour issues from the past that was to endeavour to stabilise the labour relations environment in the group and impact positively on service delivery and customer satisfaction.

Employee Health and Wellness

A healthy workplace is one in which workers and managers collaborate to use a continual improvement process to protect and promote the health, safety and well-being of all workers. The SA Post Office recognises that the health and wellness of its employees is critical to productivity and links this to the organization's strategy.

The organisation conducts periodic medical surveillance and health screening to proactively identify and manage potential occupational health exposures. In this regard a total of 1062 were conducted during the period under review as compared to 2055 in the previous year. The drop in the number of medical surveillance is due to a decrease in human resources available to conduct such.

During the period under review, 242 employee applied for temporary disability. From these a total of 146 (61%) were approved, 51 (20%) were partially approved 45 (19%) were declined for various reasons.

Mental or psychiatric cases account for 14% of application. Psychiatric case have been high for the past few years and these used to be ascribed to armed robberies; however, armed robberies have since decreased significantly since the introduction of drop safes but the psychiatric cases remain high.

The burden of disease attributable to HIV and Aids related conditions still remains a concern. While we have noted an improvement in the number of employee testing as compared to the previous year, 743 (2016): 506 (2015), however, this only represent 4% of the total SA Post Office employee population.

Ill health retirement applications have been consistently low for the past 3 years averaging around 25 per annum of which an average of 60% have been approved, compared to the former average of around 60 applications. This can be attributable to the improved control measures around the management of these cases.

INFORMATION TECHNOLOGY

SAPO IT has achieved significant progress in the year 2015/16 towards achieving the mandate to support the rest of the business units by providing the Information Technology services that enable them to achieve their strategic goals. IT has endeavoured to meet its Service Level Agreements with business, despite all the challenges experienced during the year. SAPO IT will continue its efforts to align to industry standards and guidelines such as King III, ITIL, COBiT, and PMBOK.

The primary focus within IT during the year under review continued to be on stabilising and improving existing IT capabilities. Specifically, IT activities were focussed on the following areas:

- **IT Governance:** More attention was given to addressing Audit and Risk issues that were outstanding for a while, and creating awareness of the approved governance structures and policies. A significant number of audit issues were addressed through the implementation of projects such as the Universal Banking System upgrade and implementation of the Infrastructure Refresh projects. The progress on the major IT projects is dealt with later in the report. It should be noted that a number of unresolved audit findings were not mitigated due to availability of funding.
- **Operational Efficiency:** The state of repair and maintenance of 7 W.F Nkomo (Church) Street data centre continues to be undesirable and poses major risk to the organisation. Two significant outages were experienced in the data centre due to power failure. Despite these challenges, systems were kept relatively stable during the year achieving an average availability of 98%. The focus was on the efficient utilisation of IT resources (people & IT infrastructure) and cost effective use of IT for growth. The IT architecture was reviewed and a number of applications which were in the old environment were migrated to the new infrastructure. Legacy applications which are still in the old environment will be phased out or upgraded to supportable versions.

- **IT Security:** The IT Security Remediation Project gained traction during the year. Focus was put on equipping the IT security function with suitably skilled resources and to this end, a general manger was recruited to head up this area. Additional resources have been recruited for firewall and patch management. Emphasis is also starting to be placed on IT Security governance. This will also establish the platform for ensuring that IT Security is managed proactively. This approach will assist SAPO towards achieving the objective of ISO 27001 compliance. Vulnerability and threat monitoring of the environment continued to be carried out through the use of Managed Security Services. The security strategy is being revised to capacitate and address some of the gaps identified. A number of security policies were presented to the Board and were approved and implemented.

During the year under review, a number of projects were delivered. Some of the major projects worth noting are the following.

- **Infrastructure Refresh:** The project aims to replace all legacy systems with upgraded technology systems, at the same time achieving the objective of rationalising and simplifying the IT environment. The project will also help to address a significant number of audit findings and risks identified in the current environment. The platform commissioning was completed and the application migration is 95 % complete. The outstanding applications in the old environment that still need to be migrated are legacy systems that need upgrading to supported versions.
- **Disaster Recovery (DR) and Network Upgrade:** This project is still outstanding but during the year, an interim DR site was implemented for the Postbank systems. The interim site was established at Telkom and is operational for Postbank. However, the DR hosting remains an urgent project to be finalised by SAPO. The network project is still outstanding and is also a key dependency for the unlocking of other business opportunities. The review of the technical specifications for these projects has been completed by the appointed transactional advisor to the Board. The procurement process will commence in the new financial year.
- **Flexcube upgrade to Universal Banking Solution (UBS):** The purpose of the project was to upgrade the Flexcube core banking solution to the UBS version and provide better stability and functionality to Postbank. The project was implemented in November 2014/15 and the system has reached stability in 2015/16. The implementation of the system will improve the security and address some of the audit and risk findings identified within the banking environment. The upgrade will form a sound base on which the Postbank Corporatisation will be dependent on. .
- **Upgrade of Middleware Integration platform:** This project aimed to upgrade the various versions of Middleware solutions in the environment. The project was implemented and completed in August 2015/16.

While the emphasis will continue to be on stabilisation of the IT systems environment, focus within IT will gradually move towards becoming a true business partner by providing flexible and scalable solutions that will be responsive to business needs and reduce time to the market. This will be achieved through considering modern ways of provisioning IT services and transforming the IT environment to move with current trends. IT will need to build sufficient competence and investment to become a true partner and support business in realising its strategies. The corporatisation of Postbank and the implementation of the Shared Service Model will pose new challenges and require a well-defined technology architecture and strategy. The IT organisation will enhance its project execution capability and to improve speed of execution and ensure that projects are delivered within acceptable timelines. IT will also build capacity to manage contracts and licencing arrangements more efficiently.

COMMERCIAL

The South African Post Office (SAPO) has seen a downward trend in revenue over the period under review. This was due to low volumes which were occasioned by customer attrition and the adoption of digital alternatives.

In response to the revenue challenges, SAPO adopted a Strategic Turnaround Plan (STP). The plan is intended to recover lost ground, optimize performance and lay the foundation for growth. It made provision for the establishment of the Commercial Division which was approved by the Board. This Division is responsible for the revenue performance and customer engagement optimization at SAPO (excluding Postbank, Properties and Sundry).

The Commercial division has been mandated to facilitate the integration of the different selling and marketing functions in the Group. The key thrust of the Commercial function is to retain and grow the different revenue lines, diversify the revenue mix, and achieve customer excellence. The division is headed by a Group Executive and each of the segments is led by a General Manager. The customer base is segmented into the following verticals:

- Corporate and SOEs
- Diversified Markets (SMME and Local Municipalities)

- Channels
- Government
- Marketing

Each of these verticals has a tactical plan which supports the business strategy underpinned by robust a Marketing Plan.

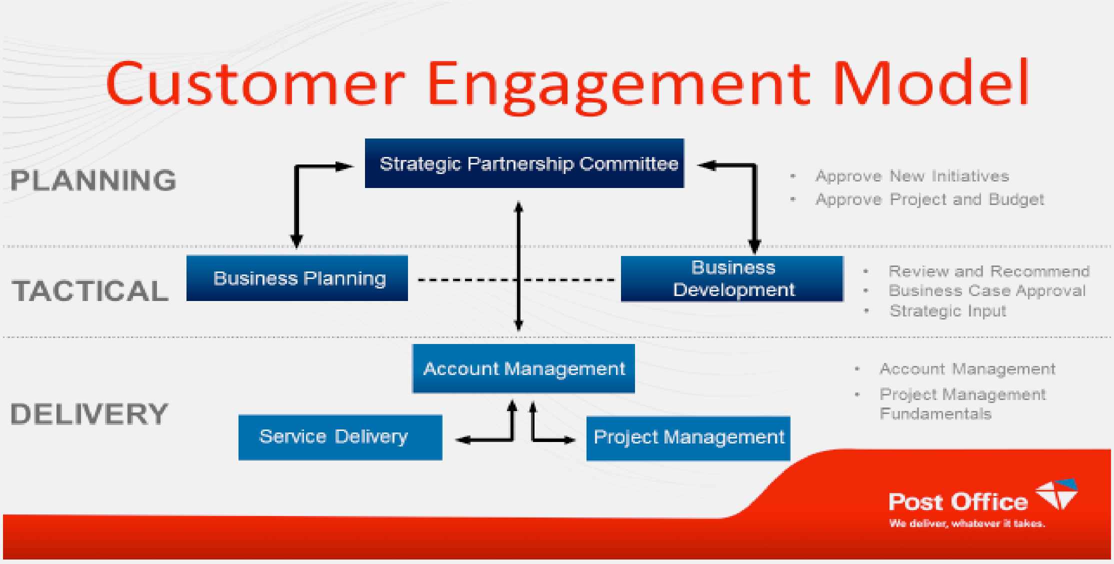
The key deliverables for the Commercial Division are:

Revenues:

- Retain and grow revenues
- Convert existing transactional relationships to long term relationships
- Implement upsell and cross sell strategies
- Position the company as a platform and gateway to Government services
- Offer solutions to the market

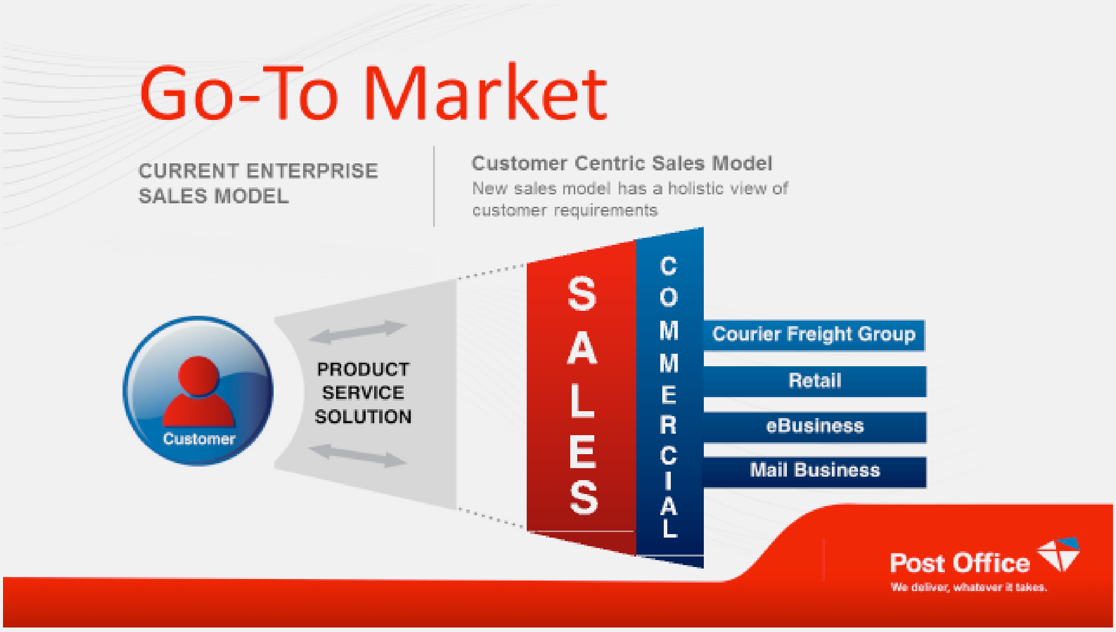
Engagement model:

The Division is following a customer centric business model in engaging with all customers.



The Go-to-Market Strategy

The company adopted the below illustrated market engagement model.



The Commercial Division aims to derive value from each customer interaction and to move away from transactional relationships to value based partnerships.

Our long term plan is premised on achieving specific and robust business development goals. The adopted approach will transform SAPO from a position of laggard to sustainable growth and profitability.

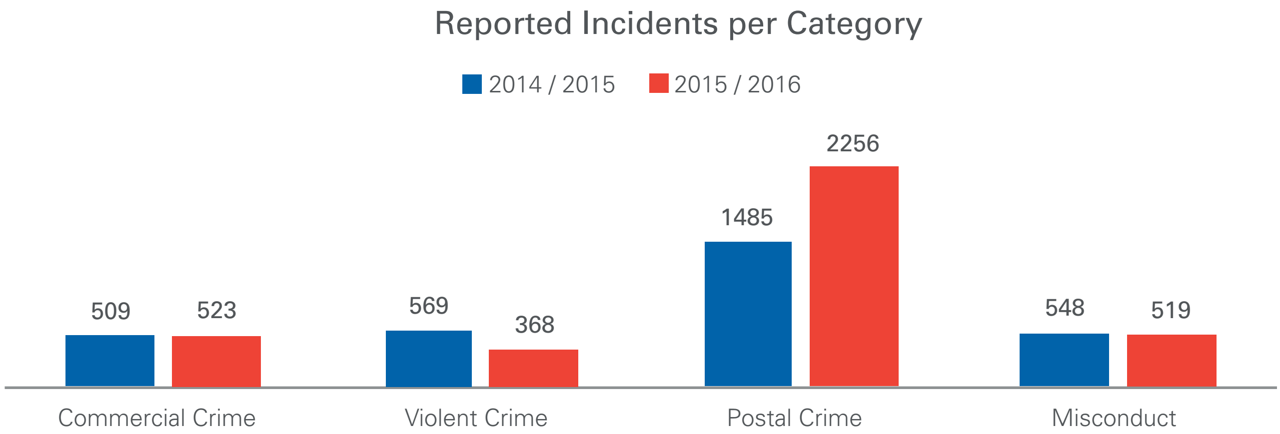
SECURITY AND INVESTIGATIONS

OVERVIEW

Although during 2015/2016 there was a noticeable increase of 18% in reported crime incidents, reported loss decreased by 60% with no material losses reported.

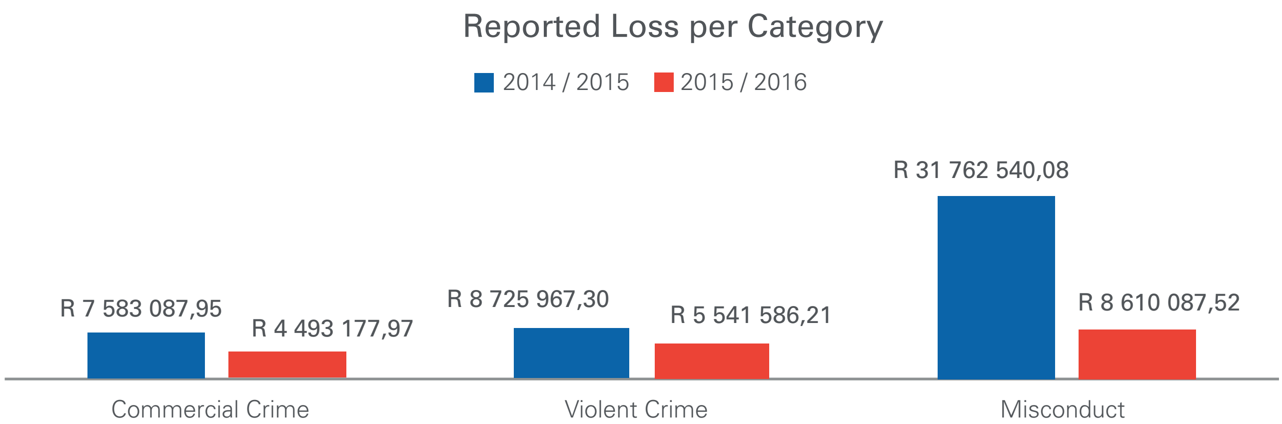
The aftermath of the longest and most challenging wave of industrial actions which had ended on 30 November 2014 had an impact on the SA Post Office. Mail backlogs were still prevalent well into the first quarter of the 2015/2016 financial year. Public complaints (investigations) were still emerging into the second quarter of the year under review and this was the major contributor to the reported increase in the crime over the past financial year.

A total of 3666 incidents were reported in comparison to the 3111 incidents during 2014/2015, as indicated in the graph below. Postal related crime rose to 62% of all reported incidents during the year under review. This amounted to 771 more incidents in comparison to 2014/2015.



In comparison to the reported loss of R49,3 million during 2014/2015, the reported loss during 20915/2016 dropped to R19,5 million – a decrease of R29,8 million.

There was no increase in any of the categories, as illustrated in the graph below.



CRIME CATEGORIES

Violent crime – In total, as tabled below, violent crime decreased across all categories:

- Total reported incidents: Decreased by 35% - from 569 incidents in 2014/2015 to 368 incidents
- Total reported loss: Decreased by 36% - from R8.7m in 2014/2015 to R5.5m

CRIME TYPE	2014 / 2015		2015 / 2016	
	REPORTED INCIDENTS	REPORTED LOSS	REPORTED INCIDENTS	REPORTED LOSS
Armed Robbery (At Premises)	49	R 1 725 275.33	50	R 3 429 693.23
Armed Robbery (CIT)	3	R 253 800.00	6	R 641 505.45
Armed Robbery (Hi-Jacking)	7	R 424 815.52	6	R 600.00
Armed Robbery (SAPO Employee)	1	R 0.00	2	R 10 240.00
Housebreaking	207	R 1 095 930.19	238	R 1 100 347.53
Malicious Damage to Property	191	R 5 226 146.26	29	R 312 200.00
Other (Abduction / Assault / Intimidation / Murder)	111	R 0.00	37	R 47 000.00
TOTAL	**569**	**R 8 725 967.30**	**368**	**R 5 541 586.21**

Fraud and theft: As tabled below, the reported incidents increased by 3%, but the losses decreased by 41%.

TYPE	2014 / 2015		2015 / 2016	
	REPORTED INCIDENTS	REPORTED LOSS	REPORTED INCIDENTS	REPORTED LOSS
Fraud	260	R 2 654 119.60	310	R 2 731 126.12
Theft	232	R 4 891 596.35	203	R 1 762 051.85
Total	**492**	**R 7 545 715.95**	**513**	**R 4 493 177.97**

Postal crime: Postal crime increased by 771 incidents in total over the 2015/2016 financial year, and which is largely attributed to the overflow of incidents following the 2014/2015 illegal strike activities. The specific categories of postal crime related incidents are tabled below:

CRIME TYPE	2014 / 2015 REPORTED INCIDENTS	2015 / 2016 REPORTED INCIDENTS
Secretion / Delay / Dumping of mail	61	65
Violation / Theft	1382	2145
Delivery under false pretenses	5	3
Wilful obstruction / Delaying	34	39
Other	3	4
TOTAL	**1485**	**2256**

INVESTIGATIONS

Of the 3666 cases investigated during the 2015/2016 financial year, 3179 (87%) investigations were completed at the end of the financial year.

- In comparison to the previous financial year, 79% (2481) of all reported cases were completed by year end.

Of all completed 2015/2016 investigations:

- 329 (9%) cases investigated were closed as unfounded/false.
- 653 (21%) cases were referred to line management for disciplinary action and
- 498 (16%) cases were referred to the SAPS for investigation.

In comparison to the 2014/2015 financial year:

- 275 (11%) cases were closed as unfounded/false.
- 491 (20%) cases were referred to line management for disciplinary action and
- 561 (23%) cases were referred to the SAPS for investigation

ANONYMOUS CRIME REPORTING

During the 2015/2016 financial year, 167 incidents reported for investigation through the anonymous crime-reporting hotline. During 2014/2015 156 incidents were through the Hotline reported for investigation.

Of all these incidents reported to Security and Investigation Services, 67 (40%) were following investigation found to be unfounded/false. During 2014/2015, 77 (50%) of all incidents reported were following investigations found to be unfounded/false.


Postbank
FLEXI debit card
VISA
WORLDWIDE PARTNER
FIFA
4330 0100 1313
4330
VALID FROM 06/09
EXPIRES END VERVAL EINDE
VISA
ELECTRON
VeriFone

FINANCIAL STATEMENTS

Audit and Risk Committee Report for the year ended 31 March 2016

The Audit & Risk Committee and Administrator (Committee) hereby presents its report for the financial year ended 31 March 2016, in accordance with Treasury Regulations issued in terms of the PFMA and the Companies Act. During the year the committee was reconstituted with new board members who took over from the previous board. The enormity of the task of strengthening the systems of internal control was wide ranging and needed an integrated approach in improving governance, accountability and systems in general. Our combined assurance providers i.e. Internal Audit and Enterprise Risk Management have played their role on giving the committee independent professional advice but management, as an important cog in bedding down combined assurance, have played a very limited role in eradicating repeat audit findings, regularizing certain contracts so that irregular expenditure is reduced and mitigating their strategic risks to an acceptable risk appetitive and tolerance levels. This continued less than impressive performance has not been met with fitting and appropriate consequence management.

During the year, SAPO experienced skills shortages in critical areas within Finance and this led to serious breakdown on financial discipline in making sure that monthly accounting procedures were carried out. Skills shortage also brought about much of the financial procedures being deferred to later during the year creating pressure on the Finance team to resolve many issues relating to assets, provisions, suspense accounts and irregular expenditure at year end.

These critical vacancies in Finance relating to Tax, Asset Control, Consolidations, Revenue, and Financial Control have not been filled and despite the use of external professional services firms, SAPO has not been able to meet the deliverables as per the deadline of the financial and reporting calendar.

MEMBERS

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

NAME	EFFECTIVE DATE	NUMBER OF MEETINGS ATTENDED
Mr M E Zakwe	Appointed 13 August 2015	6
Ms BP Soci	Appointed 13 August 2015	5
Mr P E Rabohale	Appointed 13 August 2015	6

The Committee is satisfied that the members have the required knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies regulation, 2011.

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

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

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

MEETINGS HELD BY THE COMMITTEE

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

RESPONSIBILITY

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

Audit and Risk Committee Report for the year ended 31 March 2016

EFFECTIVENESS OF INTERNAL CONTROLS

The Committee acknowledges management's efforts to strengthen internal controls. However, when seen in the context of the reports issued by External and Internal Audit, it is clear that management's efforts have been inadequate and at times completely lacking drive and determination to clean governance at SAPO.

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

The Committee emphasised that punitive measures against the responsible officials are required in instances of noncompliance of which to date have not been implemented.

The Committee heightened levels of work ethic, accountability, and this should be addressed through a fair and rigorous application of the performance management system and adherence to defined risk tolerance levels informed by the group's risk appetite. No performance management systems has been put in place to accommodate audit and risk issues against which executive performance can be gauged.

Vacancies undermine the effective functioning of the system of internal control and it is imperative that management reviews its recruitment procedures and processes to ensure that vacancies are filled expeditiously with properly qualified, skilled and experienced personnel. These vacancies have not been filled but instead SAPO sourced these skills from outside professional services firm who did not make adequate impact in terms of bringing financial & accounting discipline on our financial cycle.

The Committee noted concerns about levels of fraud and corruption. The SA Post Office has adopted aggressive anticorruption measures to curb the frequency and magnitude of fraud and corruption.

Owing to the strategic importance of and huge dependence on information and communication technology (ICT), the Committee emphasized the need for an ICT environment to operate at an optimal level and supported with the required infrastructure refresh. Steady progress has been made however problems caused by people dynamics, inadequate skills and resources has resulted in ICT not being able to optimally support the business of SAPO.

SPECIFIC FOCUS AREAS

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

- Enhancement of reporting on performance information;
- Modernization of the information technology;
- Ongoing effectiveness of the Internal Audit Function;
- Improving the control environment;
- Effectiveness of the Enterprise Risk Management Unit;
- Cohesive risk management framework and
- Embedding of a combined assurance model.

Despite our effort in engaging with management on the above, there is very little progress in resolving issues and advancing to a higher maturity in terms of how these focus issues are handled. This is not a good signal for good intents to be part of a successful turnaround.

Audit and Risk Committee Report for the year ended 31 March 2016

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

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

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

INTERNAL AUDIT FUNCTION

The Committee is satisfied that Internal Audit has properly discharged its functions and responsibilities during the year under review. The capacity of Internal Audit still needs further professionals to be able to complete their planned work and required intervention where management need guidance. Improved capacity will contribute to Internal Audit becoming more efficient, more responsive to the challenges and providing audit reports of a high quality to management and the Committee on a timely basis.

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

The committee is however concerned about management who are not taking the work of Internal Audit seriously. Throughout the audit cycle, audit issues are being raised and later affirmed by the External Auditors to which management gives minimal response in terms of concrete action plans to address identified audit deficiencies.

ENTERPRISE RISK MANAGEMENT UNIT

The committee is satisfied with the participation of the Risk Unit during the design of a corporate plan and want to emphasise that the Risk Unit should further look into making the current risk register more robust and be in line with SAPO's risk appetite and tolerance levels. The committee is concerned however that SAPO has not yet set tolerance levels and neither have they defined and adopted a risk appetite framework that is meant to guide the Board, committees and management on the management of enterprise risks within the organization.

EVALUATION OF THE FINANCIAL STATEMENTS

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

- Reviewed the accounting policies and generally recognised accounting practices;
- Reviewed the organisations's compliance with legal and regulatory provisions;
- Reviewed the Accounting officer's report;
- Reviewed the presentation of the statements including notes.
- Reviewed the AGSA management report and management responses thereto,
- Reviewed any changes in accounting policies, changes in estimates and prior period errors,
- Reviewed the information on predetermined objectives to be included in the annual report,
- Reviewed any significant adjustments resulting from the Audit and
- Commentary on Annual Financial Statements prepared by the organisation

Audit and Risk Committee Report for the year ended 31 March 2016

EXTERNAL AUDITORS REPORT

The Committee concurs with and accepts the conclusions and the audit opinion of the External Auditors on the financial statements and is of the view that the financial statements be accepted and read together with the report of the External Auditors.

The Committee confirms that it has been actively involved throughout the audit process and is thoroughly appraised of the issues giving rise to the audit opinion.

The Committee appreciates the enormity of the challenge associated with improving the systems of internal control with less than adequate skills, resources, and IT systems however SAPO should endeavor to improve their planning and their capacitation measures so that they are better prepared for the audit cycles.

APPRECIATION

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

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

On behalf of the Committee:

Mr ME Zakwe (Chairperson)

Director's Responsibilities and Approval

In the 2015 financial year, all non-executive Directors of the Board resigned and subsequently all its committees dissolved. Up until the date of resignation, the Board of Directors ("The Board") (in compliance with King III) and all its committees were active and functional. On 7 November 2014, the shareholder appointed Dr SD Lushaba as Administrator in terms of section 25 of the SA Post Office Act and he duly took over the responsibilities of the Board of Directors until the new Board of Directors was approved on 13 August 2015.

The Board is required in terms of the Companies Act to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the Public Finance Management Act, the International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS interpretations Committee. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The Board acknowledges that it is ultimately responsible for the system of internal financial control established by the Group and places considerable importance on maintaining a strong control environment.

To enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the Group.

While operating risk cannot be fully eliminated, the Group endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Board is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. During the audit several control weaknesses were identified which are highlighted in the audit report. Several control weaknesses have been highlighted by audit reports and by management internal assessments. The effect of these items have been noted in the Director's Report (refer to point 15 of the Directors Report)

The Board has reviewed the Group's cash flow forecast for the 12 months ending after the financial year date. The SA Post Office has guarantees from the shareholder of a consolidated value of R3.97 billion. R270 million of the consolidated state guarantee serves as a pledge over the company overdraft facility and the remaining R3.76 billion serves as a going concern guarantee letter (letter of comfort to creditors of the SA Post Office), which expires in July 2019.

To improve the liquidity position of the entity the Board, guided by Corporate Plan initiatives and objectives, continues to identify opportunities of cost savings, operational efficiency and revenue upliftment. The Board also pursued various government support options, in the form of applications for equity cash funding to support the achievment of coporate plan loan covenants.

Based on the above, the Directors are satisfied that the Group has access to adequate resources to continue in its operational existence for the foreseeable future. The financial statements have accordingly been prepared on a going concern basis.

The financial statements set out on pages 82 to 175, were approved by the Board of Directors on 19/ 09/2016 and signed on its behalf by:

Dr Simo Lushaba	**Mr Mark Barnes**
Chairperson	**Chief Executive Officer**

Centurion
26/09/2016

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

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

Mr JD Nieuwoudt

Acting Group Company Secretary

27 September2016

Report of the auditor-general to parliament on the South African Post Office SOC Limited

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated and separate financial statements of the South African Post Office (SOC) Limited (Sapo) and its subsidiaries set out on pages 82 to 175, which comprise the consolidated and separate statement of financial position as at 31 March 2016, the consolidated and separate statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

The board of directors' responsibility for the consolidated and separate financial statements

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

Auditor-general's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Property, plant and equipment

6. The Sapo group and company did not adequately review the useful lives and residual values of property, plant and equipment at each reporting date in accordance with IAS 16, *Property, plant and equipment*. In addition, some items of property, plant and equipment were not recorded in the asset register, while some items were recorded but their existence could not be verified. As a result, I was unable to determine the correct net carrying amount of property, plant and equipment and depreciation stated at R1 043 978 000 (2014-15: R1 219 509 000) (Company: R1 030 275 000; 2014-15: R1 203 052 000) and R129 065 000 (2014-15: R125 172 000) (Company: R126 482 000; 2014-15: R122 904 000), respectively, in notes 3 and 32 to the consolidated and separate financial statements, as it was impracticable to do so. I was also not able to determine the consequential impact that any adjustments would have on the loss for the period and the accumulated loss in the consolidated and separate financial statements.

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Site restoration provision

7. The Sapo group and company lease properties from third parties and need to restore the leased space to its original condition at the end of the lease period, as required by the contract with the third parties. These transactions should be recognised when the recognition criteria are met in accordance with IAS 37, *Provisions, contingent liabilities and contingent assets* and IAS 16, *Property, plant and equipment*. The group and company did not have adequate systems to collate and maintain data to calculate a current best estimate for the site restoration provision. I was not able to determine the impact on the site restoration provision by alternative means. Consequently, I was unable to determine whether any adjustment relating to the site restoration provision stated at R187 494 000 (2014-15: R218 856 000) (Company: R184 890 000; 2014-15: R216 385 000) in note 21 to the consolidated and separate financial statements was necessary. I was also not able to determine the consequential impact that any adjustments would have on the trade and other payables discounting in note 34; the related site restoration asset balance in property plant and equipment in note 3; any depreciation and impairment in note 31; the comparative figures and prior period errors' note 52; the loss for the period; and the accumulated loss.

Irregular expenditure

8. Section 55(2)(b)(i) of the PFMA requires the group and company to include particulars of irregular expenditure in the notes to the consolidated and separate financial statements. The group and company did not have adequate systems to maintain complete records of irregular expenditure. Due to this lack of systems, I was not able to confirm the amount of irregular expenditure to be disclosed by alternative means. Consequently, I was unable to determine whether any adjustment to irregular expenditure, as disclosed in note 50 to the consolidated and separate financial statements, was necessary.

Fruitless and wasteful expenditure

9. Section 55(2)(b)(i) of the PFMA requires the group and company to include particulars of fruitless and wasteful expenditure in the notes to the consolidated and separate financial statements. The group and company did not have adequate systems to maintain complete records of fruitless and wasteful expenditure. Due to this lack of systems, I was not able to confirm the amount of fruitless and wasteful expenditure to be disclosed by alternative means. Consequently, I was unable to determine whether any adjustment to fruitless and wasteful expenditure, as disclosed in note 48 to the consolidated and separate financial statements, was necessary.

Deferred tax and income tax

10. The Sapo group and company did not have adequate systems to ensure that the deferred tax, current tax asset, income tax and taxation note disclosures submitted for auditing were supported by accurate and complete underlying accounting records. I was unable to confirm the deferred tax, current tax asset, income tax and taxation note disclosures by alternative means, as the Sapo group and company did not have adequate systems to maintain adequate records for these figures disclosed in the consolidated and separated financial statements. In addition, a number of requirements relating to disclosure by IAS 12, Income taxes were not complied with. Consequently, I was not able to determine whether any further adjustments relating to the deferred tax, current tax asset and income tax disclosed in notes 12, 16 and 37 to the consolidated and separate financial statements, respectively, were necessary. I was also not able to determine the consequential impact that any adjustments would have on the taxation notes 12, 16 and 37, the loss for the period and the accumulated loss in the consolidated and separate financial statements. This limitation applies equally to the comparative figures in the consolidated and separate financial statements.

Heritage assets

11. I was unable to obtain sufficient appropriate audit evidence regarding heritage assets for the Sapo group and company, as the valuation could not be substantiated by supporting evidence. I was unable to confirm the fair value of heritage assets by alternative means. In addition, not all items of heritage assets were recorded in the asset register. Consequently, I was not able to determine whether any further adjustment relating to heritage assets stated at R21 965 000 (2014-15: R21 965 000) in note 5 to the consolidated and separate financial statements was necessary. I was also not able to determine

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the consequential impact that any adjustments would have on the loss for the period and the accumulated loss in the consolidated and separate financial statements.

Contingencies

12. The Sapo group and company recorded contingencies that did not meet the definition of contingencies in accordance with IAS 37, *Provisions, contingent liabilities and contingent assets*, which resulted in contingent liabilities being overstated by R64 998 703 (Company: R42 975 779) and trade payables in note 22 and operating expenses understated by R42 975 779 (Company: R42 975 779) respectively. The additional overstatement of R22 022 924 in the group financial statements relates only to the note disclosure of a subsidiary company and does not impact trade payables and operating expenses in the group financial statements. In addition, I was unable to obtain sufficient appropriate audit evidence that all contingencies had been disclosed, as the Sapo group and company did not have adequate systems to maintain records of contingencies. I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustment to contingencies stated at R82 904 000 (Company: R54 121 000) in note 43 to the consolidated and separate financial statements was necessary.

Related parties

13. The Sapo group and company could not provide sufficient appropriate audit evidence to support the related-party disclosure made in note 44 in accordance with IAS 24, *Related-party disclosures,* as the Sapo group and company did not have adequate systems to maintain records of related-party transactions. I was not able to determine the related-party disclosure by alternative means. Consequently, I was unable to determine whether any adjustment to the related-party disclosure in note 44 to the consolidated and separate financial statements was necessary.

Operating loss

14. I was unable to obtain sufficient appropriate audit evidence for the following items which had a cumulative effect on the operating loss in the statement of comprehensive income for the group and company:

- Audit evidence was not made available for R53 831 460 relating to night duty and housing allowances included in employee costs reflected as R3 481 673 000 (Company: R3 340 633 000) in the statement of comprehensive income. I was unable to confirm these items by alternative means. Consequently, I was unable to determine whether any adjustment to employee costs was necessary.
- Management did not adequately review the useful lives and residual values of intangible assets, for which the amortisation was reflected as R32 864 000 (Company: R32 821 000) in note 32 to the consolidated and separate financial statements. I could not determine the extent of the misstatement as it was impractical to do so.

Consequently, I was unable to determine whether any further adjustment to the operating loss reflected as R1 012 140 000 (Company: R979 611 000) in the statement of comprehensive income in the consolidated and separate financial statements was necessary.

Total assets

15. In 2015, I was unable to obtain sufficient appropriate audit evidence for the following items which had a cumulative effect on the comparative total assets in the statement of financial position for the group and company:

- Management did not adequately review the useful lives and residual values of investment property reflected as R53 561 000 (Company: R52 599 000) in the statement of financial position in the consolidated and separate financial statements. I could not determine the extent of the misstatement as it was impractical to do so.
- Management did not adequately review the useful lives and residual values of intangible assets reflected as R67 867 000 (Company: R67 776 000) in note 6 to the consolidated and separate financial statements. I could not determine the extent of the misstatement as it was impractical to do so.

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16. Total assets were further misstated in 2015 by the following individually immaterial uncorrected misstatements which had a cumulative effect when considered with the matters in paragraph 15:

- International debtors reflected as R129 716 000 (Company: R116 206 000) in trade and other receivables in note 15 was understated by R13 892 914.

17. As a result, I was unable to determine whether any further adjustment to total assets was necessary. My opinion on the financial statements for the period ended 31 March 2015 was modified accordingly. My opinion on the current period's financial statements for the group and company is also modified because of the possible effects of these matters on the comparability of the current period's figures for total assets reflected as R9 795 553 000 (Company: R9 706 416 000) in the statement of financial position in the consolidated and separate financial statements.

Qualified opinion

18. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Sapo and its subsidiaries as at 31 March 2016 and their financial performance and cash flows for the year then ended, in accordance with the IFRS and the requirements of the PFMA and the Companies Act of South Africa.

Emphasis of matters

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

Going concern

20. The financial statements indicates that the Sapo group and company incurred a total comprehensive loss of R1 135 260 000 (Company: R1 103 314 000) during the year ended 31 March 2016. The group and company are not generating sufficient revenue to finance their high cost base. These conditions, along with other matters as set forth in the going concern note 47 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern.

Restatement of corresponding figures

21. As disclosed in note 52 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of errors discovered during the period ended 31 March 2016 in the financial statements of the Sapo group and company at, and for the year ended, 31 March 2015.

Material impairments

22. As disclosed in note 8 to the separate financial statements, Sapo provided for the impairment of loans and long-term receivables of R269 742 000 and R371 668 000, respectively, because Sapo was unable to recover long-outstanding debts from its subsidiary.

Significant uncertainties

23. With reference to note 43 to the consolidated and separate financial statements, the SAPO group and company were defendants in a number of lawsuits. At the time of this report, the ultimate outcome of these matters could not be determined, and no provision for any liability that may result was made in the consolidated and separate financial statements. The full extent of the contingencies could not be quantified as indicated in paragraph 12.

Additional matter

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

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Other reports required by the Companies Act

25. As part of my audit of the financial statements for the year ended 31 March 2016, I have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of determining whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed a qualified opinion. I have not audited the reports and, accordingly, do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

26. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

27. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected strategic goals presented in the annual performance report of the public entity for the year ended 31 March 2016:
    - Goal 1: Implement the strategic turnaround plan to achieve a sustainable organisation, on pages 11 to 16.
    - Goal 3: Position Sapo as a key service partner that delivers government services, on page 17.
    - Goal 4: Corporatisation of Postbank and increased access to financial services, on pages 17 to 18.
28. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
29. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
30. The material findings in respect of the selected objectives are as follows:

Goal 1: Implement the strategic turnaround plan to achieve a sustainable organisation

Usefulness of reported performance information

31. The FMPPI requires the following:
    - Performance targets should be measurable. A total of 42% targets were not measurable.
    - Performance targets should be specific in clearly identifying the nature and required level of performance. A total of 12% targets were not specific.
    - Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 12% indicators were not well defined.
    - The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 45% indicators were not verifiable.

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Reliability of reported performance information

32. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to targets and indicators not being measurable, specific, well defined and verifiable.

Goal 3: Position Sapo as a key service partner that delivers government services

Usefulness of reported performance information

33. The FMPPI requires the following:

- Performance targets should be measurable. A total of 100% targets were not measurable.
- Performance targets should be specific in clearly identifying the nature and required level of performance. A total of 67% targets were not specific.
- Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 67% indicators were not well defined.
- The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 100% indicators were not verifiable.

Reliability of reported performance information

34. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to targets and indicators not being measurable, specific, well defined and verifiable.

Goal 4: Corporatisation of Postbank and increased access to financial services

Usefulness of reported performance information

35. The FMPPI requires the following:

- Performance targets should be measurable. A total of 50% targets were not measurable.
- Performance targets should be specific in clearly identifying the nature and required level of performance. A total of 50% targets were not specific.
- Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 50% indicators were not well defined.
- The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 50% indicators were not verifiable.

Reliability of reported performance information

36. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to targets and indicators not being measurable, specific, well defined and verifiable.

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Additional matters

37. I draw attention to the following matters:

Achievement of planned targets

38. Refer to the annual performance report on pages 10 to 19 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected strategic goals reported in paragraphs 29 to 36 of this report.

Adjustment of material misstatements

39. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for the goal 1: *Implement the strategic turnaround plan to achieve a sustainable organisation* objective. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

40. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows.

Strategic planning and performance management

41. A shareholders' compact was not concluded in consultation with the minister of Telecommunications and Postal Services, as required by treasury regulation 29.2.1.

42. The corporate plan did not include the strategic objectives and outcomes agreed upon by the minister of Telecommunications and Postal Services in the shareholders' compact, as required by treasury regulation 29.1.1(a) and (c).

43. Procedures for quarterly reporting to the minister of Telecommunication and Postal Services and the facilitation of effective performance monitoring, evaluation and corrective action were not established, as required by treasury regulation 29.3.1

Annual financial statements, performance and annual reports

44. The accounting authority did not submit the financial statements for auditing within two months after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.

45. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA and section 29(1)(a) of the Companies Act. Material misstatements of non-current assets, current assets, liabilities, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

46. The entity provided financial assistance to its subsidiary without obtaining a special resolution by the shareholder for these transactions, and did not assess the liquidity and solvency requirements required by section 45 of the Companies Act prior to advancing the financial assistance.

47. The IT audit revealed significant control weaknesses due to key risks that were not adequately managed and mitigated within the IT focus areas, resulting in non-compliance with section 51(1)(a)(i) of the PFMA.

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Procurement and contract management

48. Goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

Expenditure management

49. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The full extent of the irregular expenditure could not be quantified, as indicated in paragraph 8.
50. Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA. The full extent of the fruitless and wasteful expenditure could not be quantified, as indicated in paragraph 9.

Internal control

51. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

52. The entity experienced instability in leadership in the last few years as a result of a number of suspensions, dismissals and resignations in key leadership positions. Instability in top leadership has contributed to the overall decline in the internal control environment.
53. An effective organisational structure that places people with appropriate skills has not been established.
54. The lack of decisive action to mitigate emerging risks and implement timely corrective measures to address non-performance was evidenced by the failure of management to adequately address the internal and external audit findings in a timely manner. The entity failed to implement appropriate follow-up actions that adequately address the root causes.
55. The Sapo leadership did not establish and communicate adequate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
56. The Sapo leadership did not establish mechanisms to communicate and hold individuals accountable for non-performance of internal control responsibilities.

Financial and performance management

57. Weekly and monthly reconciliations were not always adequately prepared for financial items during the year. This resulted in the entity being required to rely on manual reconciliations at year-end. Due to the significant increase in the volume of manual reconciliation required, assurance processes were not implemented in time to ensure that information is accurate and complete. As a result, a number of errors were identified in the reconciliations by the external auditors.
58. Significant use is made of suspense accounts that are not regularly reviewed and reconciled. This is partially due to IT infrastructure constraints; however, where supporting listings are available, management did not always act to ensure that long-outstanding items are either reconciled and cleared or written off. This control weakness also gives rise to a material fraud risk for the entity.
59. Effective financial systems and management thereof have not been implemented to ensure accurate financial statements. Time frames in place for the preparation and internal review of the financial statements have not been adhered to, to ensure a comprehensive review of year-end adjustments and final financial statements.
60. The annual performance report contained numerous items that could not be traced to supporting listings and documentation. This was due to staff within the reporting units not fully understanding the performance information requirements as set out in the FMPPI.

Report of the auditor-general to parliament on the South African Post Office SOC Limited

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

Governance

62. A number of key governance structures were not in place for parts of the year to effectively monitor the performance of the organisation through a structured board and audit committee.

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

64. Leadership does not act on a timely basis to internal audit's recommendations or reports, thus impacting their effectiveness as an assurance provider to the leadership of the entity.

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

Other reports

66. I draw attention to the following engagements that could potentially impact on the entity's financial, performance and compliance-related matters. My opinion is not modified in respect of these engagements which are either in progress or have been completed.

Investigations

Completed during the year

67. Investigations by the Public Protector and the Special Investigations Unit regarding potential irregularities in a number of areas were finalised and the entity is in the process of implementing their recommendations.

68. The internal investigations unit conducted several investigations. These investigations resulted in recommendations for disciplinary and/or criminal proceedings to be instituted against the parties concerned.

Investigations in progress

69. The internal investigations unit is conducting several investigations. These investigations are ongoing and may or may not result in disciplinary proceedings against the parties concerned.

Auditor - General

Pretoria

19 September 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Directors' Report

In the 2015 financial year, all non-executive Directors of the Board resigned and subsequently all its committees dissolved. Up until the date of resignation, the Board of Directors (in compliance with King III) and all its committees were active and functional. On 7 November 2014, the Shareholder appointed Dr SD Lushaba as Administrator in terms of section 25 of the South African Post Office SOC Limited Act (SA Post Office Act) and he duly took over the responsibilities of the Board of Directors until the new Board of Directors was appointed by the Shareholder on 13 August 2015.

The Board of Directors have pleasure in submitting their report on the financial statements of the SA Post Office and the group for the year ended 31 March 2016.

1. Incorporation

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

2. Holding company

The Group's holding company is South African Post Office SOC Limited (SA Post Office) and the shareholder holds 100% (2015: 100%) of the Group's equity. The SA Post Office is incorporated in the Republic of South Africa.

3. Ultimate holding company

The Group's ultimate holding company is the South African Government which is represented by the Department of Telecommunications and Postal Services. During the 2015 financial year, the SA Post Office's Shareholder Representative was changed from the Department of Communications to the Department of Telecommunications and Postal Services.

4. Nature of business

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

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

The business of the group is:

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

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

There have been no material changes to the nature of the Group's business from the prior year, except for the fact that the company was under Administration for period 7 November 2014 until 13 August 2015.

Directors' Report (continued)

5. Administrator and Directorate

In the 2015 financial year, all non-executive Directors of the Board resigned and subsequently all its committees dissolved. Up until the date of resignation, the Board of Directors (in compliance with King III) and all its committees were active and functional. On 7 November 2014, the Shareholder appointed Dr SD Lushaba as Administrator in terms of section 25 of the SA Post Office Act and he duly took over the responsibilities of the Board of Directors until the new Board of Directors was appointed on 13 August 2015:

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

DIRECTOR	OFFICE	DESIGNATION	CHANGES
Dr Lushaba S	Chairperson of the Board: Group	Non-executive Independent	Appointed 13 August 2015
Dr Molefi LM	Director: Group	Non-executive Independent	Appointed 13 August 2015
Mr Ngidi ZC	Director: Group	Non-executive Independent	Appointed 13 August 2015
Mr Ngubane JS	Director: Group	Non-executive Independent	Appointed 13 August 2015 Resigned 1 March 2016
Mr Nkuna RD	Director: Group	Non-executive Independent	Appointed 13 August 2015
Mr Rabohale PE	Director: Group	Non-executive Independent	Appointed 13 August 2015
Ms Simamane NV	Director: Group	Non-executive Independent	Appointed 13 August 2015
Ms Soci BP	Deputy Chairperson of the Board	Non-executive Independent	Appointed 13 August 2015
Mr ME Zakwe	Director: Group	Non-executive Independent	Appointed 13 August 2015
Mr Barnes MA	CEO: Group	Executive	Appointed 15 January 2016
Ms Dewar NJ	Acting CFO: Group	Executive	Appointed 17 July 2015
Mr CJ Hlekane	CEO: Group	Executive	Contract ended 31 August 2015
Mr Mathonsi M	Acting CEO: Group	Executive	Resigned 30 November 2015
Ms Mzozoyana K	CFO: Group	Executive	Retired 10 February 2016

Resigned implies resigned or retired.

6. Directors' interests in contracts

Refer to note 44 for all contracts that were entered into in which the Administrator and Directors or officers of the group had an interest.

7. Secretary

Ms T Sihlaba was the Acting Company Secretary from 13 May 2015. Subsequently Ms N Matanzima was appointed as the Group Company Secretary on 1 October 2015 and she resigned on 30 November 2015. Mr AK Yabo was appointed Acting Group Company Secretary from 8 December 2015. Mr K Niewoud is active as Group Company Secretary from 07 July 2016.

Postal address	PO Box 10000 Pretoria 0001
Business address	350 Witch Hazel Avenue Highveld Extension 70 Centurion 0157

Directors' Report (continued)

8. Auditors

The Shareholder reappointed the Auditor-General of South Africa as auditor for the company and its subsidiaries at the annual general meeting held on 10 December 2015.

9. Review of financial results and activities

The financial statements have been prepared in accordance with IFRS, the PFMA and the requirements of the Companies Act. The accounting policies have been applied consistently compared to the prior year.

The operating environment has been challenging for the SA Post Office during the 2015/16 financial year and revenue continued to be depressed driven mainly by the declines in mail volumes, logistics volumes and loss of customers. The mail revenue business represents over 68% of total Group revenues.

The Group recorded a net loss before tax for the year ended 31 March 2016 of R 1,115 million. This represented an increase of 29% from the net loss before tax of the prior year of R862 million.

Group revenue decreased by 9.0 % from R5,120 billion in the prior year to R4,679 billion for the year ended March 31, 2016. The lower revenues were to some extent offset by implementation of cost optimisation programs and resulted in operating expenses declining to R 6,534 billion from prior year of R 6,890 billion

Group cash flows used in operations increased from R 126 million in the prior year to R 562 million for the year ended March 31, 2016. To fund operating activities, term loans of R1 billion were raised in the 2016 financial year. Capital expenditure for the year amounted to R 45.7 million (2015: R121.8 million)

In the financial statement period ended March 2015 a funds transfer of R 50 million was received from the DTPS as financial assistance towards settling existing liabilities. Universal service obligation subsidy funding of R56.8 million was received from the shareholder for the 2016 financial year.

The Postbank Corporatisation Programme has received R174 million allocation from the National Treasury for investment in systems and people necessary for Postbank to meet the requirements of a registered bank.

10. Liquidity and solvency

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

The company experienced cash flow constraints during the financial year but it has adequate financial resources to continue in operation for the foreseeable future. The book value of total liabilities exceeds the total book value of assets by -R142 million (2015: +R812 million). The municipal fair value of land and buildings at financial year end indicated a further R900 million improvement to the solvency position of the company, and market values an additional R400 million improvement. The Board of directors are therefore comfortable with the liquidity and solvency position of the company.

11. Property, plant and equipment

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

At 31 March 2016 the Group's investment in investment properties, and property, plant and equipment amounted to R1,085 billion (2015:R1,273 billion) of which R4,208 million (2015: R 81,313 million) was added in the current year through additions.

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

The Group has commitments in respect of contracts placed for capital expenditure to the amount of R97 million (2015: R 141 million).

The Group also has commitments in respect of contracts placed for operating leases of R611 million (2015: R 759 million) over the period of the lease. These commitments have been approved by the of the respective Group companies. Refer to note 42 of the financial statements for further details.

Directors' Report (continued)

The useful lives and residual values of certain property, plant and equipment have been revised during the year. Refer to note 53 for more detail.

In terms of the ICASA license agreement, the SA Post Office is required to own a museum which contains assets of an historical nature, including stamps, paintings, artefacts and machinery. These assets have been assessed for impairment and recognised at fair value of R21.9 million. Refer to note 5 for more detail.

12. Interests in subsidiaries

Details of material interests in subsidiary companies are presented in the consolidated annual financial statements in notes 7. The interest of the Group in the profits and losses of its subsidiaries before inter Group eliminations for the year ended March 31, 2016 are as follows:

	2016	2015
	R '000	**R '000**
Subsidiaries		
Sapos Properties Bloemfontein (Pty) Ltd	(69)	(62)
Sapos Properties Cape Town Pty) Ltd	(227)	(135)
Sapos Properties East Rand (Pty) Ltd	(706)	(343)
Sapos Properties Port Elizabeth (Pty) Ltd	223	(219)
Sapos Properties Rossburg (Pty) Ltd	(267)	(368)
The Courier and Freight Group (Pty) Ltd	(114,933)	(100,253)
The Document Exchange (Pty) Ltd	(2,922)	(2,344)
Total interest in profits and losses after tax	**(118,901)**	**(103,724)**

There were no significant acquisitions or divestitures during the year ended March 31, 2016.

13. Share capital

	2016	2015
Authorised	**Number of shares**	
Ordinary par value shares of R1 each	1,000,000,000	1,000,000,000

	2016	2015	2016	2016
Issued	**R '000**	**R '000**	**Number of shares**	
Ordinary par value shares	693,116	200,940	693,115,879	200,939,821

During the current year, convertible shareholder loan was converted to shares . Refer to note 20 for more detail.

14. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board of Directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Administrator or Board of Directors may pass on the payment of dividends. Given the current constrained cash flows of the company, neither the Administrator nor the Board of Directors declared a dividend by the SA Post Office during the financial year ended March 31, 2016 (2015: R0).

A dividend of R 20 million was declared and paid by Docex on 24 November 2014 to its holding company, the SA Post Office. Upon consolidation, the dividend transaction is fully eliminated. The local dividends tax rate is 15%, but dividend transactions between companies are exempt from this.

Directors' Report (continued)

15. Fruitless and wasteful and irregular expenditure

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

Categories of irregular expenditure include:

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

The total fruitless and wasteful expenditure under investigation identified for the Group for the year amounted to R 7 million (2015: R 0,24 million). Refer to note 48 for more detail.

The total irregular expenditure under investigation identified for the Group for the year amounted to R151 million (2015: R 75 million). Refer to note 50 for more detail.

16. Insurance and risk management

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

17. Borrowing limitations

The company is a Schedule 2 entity as per the PFMA. In terms of Section 66(3)(a), the accounting authority may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that public entity to any financial commitment without prior approval. In terms of the SA Post Office Act, the concurrent approval of both the Minister of Telecommunications and Postal Services and the Minister of Finance is required for borrowing. At end of 2016 financial year, the approved borrowing limits are R1, 720 billion (2015: R320 million).

Subsequent to year end, borrowing facilities of R4.44 billion were approved by the ministers. Refer to 20.2 for more information.

18. Special resolutions

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

19. Material transactions

Judgment was passed on the settlement agreement against the SA Post Office in favour of NASASA Cellular (Pty) Ltd (NASASA), for a legal matter which commenced more than 10 years ago. The SA Post Office's legal team was in the process of reviewing the validity and legal enforceability of the settlement agreement with a view to challenge it. Hence during this period of time the SA Post Office did not comply with the payment plan obligations under the settlement agreement. In April 2015 NASASA caused a warrant of execution to be issued and executed through the Deputy Sheriff of the Court on net positive balances in the banking accounts of the SA Post Office. This issue was subsequently resolved by the SA Post Office being compelled to pay the judgment debt into the trust account of The Deputy Sheriff of the Court, to stay execution.

Directors' Report (continued)

20. Events after the reporting period

20. 1 Equity Injection

The Minister of Finance in his February 2016 budget speech announced a R650 million cash allocation to SA Post Office. This amount was received by SAPO in the form of an equity injection in April 2016, and ensured SAPO remained solvent while new loan facilities were being negotiated with banks.

20. 2 Increase in borrowing limits.

The borrowing limits of the SAPO was approved by the Minister of Telecommunications and Postal Services and the Minister of Finance has increased from R1.27 billion at year end to R3.97 billion.

In July 2016, approval was granted by both ministers for an increased borrowing limit of R3.97 billion. A R3.7 billion loan facility was negotiated with the banks with a 3-year bullet repayment profile. Any future equity injections will automatically be used to repay the capital balance of the loan.

20. 3 Approval of 2017-2019 corporate plan.

The company's corporate plan was approved for implementation.

20. 4 Postbank corporatisation

In July 2016 the South African Reserve Bank approved the Postbank division's application to establish a bank.

20. 5 CFG Integration

The SAPO Board of Directors (BoD) recognizes the importance of CFG to SAPO's courier business strategy. Therefore, in this regard, the SAPO BoD, in April 2016, approved a proposal from management to integrate CFG into SAPO. A due diligence exercise showed clearly that operationally CFG and Speed Services Couriers (SS) are intricately intertwined. Given that both SAPO and CFG must optimize their cost bases, the SAPO and CFG BoDs resolved that SAPO divisionalise CFG by buying CFG's assets and liabilities. This will enable SAPO to eliminate non-essential costs and build a courier business that will achieve the strategic objectives as outlined in the corporate plan. Requisite approvals for this transaction will be requested. CFG was placed in provisional liquidation after year end. SAPO has committed to take over the CFG staff, assets and liabilities and is negotiating purchase agreement with the liquidators.

21. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis.

For the year ended 31 March 2016 the Group generated comprehensive loss of R1.135 million (2015: R 1.518 million).

The book value of total liabilities exceeds the total book value of assets by -R142 million (2015: +R812 million); when municipal value of land and buildings is taken into account, a further R900 million improvement to the solvency position is realized. Additional fair value adjustments to land and buildings provide a further R400 million.

The company has been experiencing cash constraints and has not had sufficient working capital. The cause of the deterioration of the Group's liquidity position is both due to internal and external factors, such as the migration of customers towards digital communication, general decline in the mail business volumes and revenue as well as an inappropriate and inefficient business model. This has resulted in the Group not generating sufficient revenue to finance its high cost base and thus a material uncertainty of the entity's ability to continue as a going concern for the foreseeable future exists in the absence of support from government.

The Board has also approved implementation of revenue up-liftment initiatives and cost containment measures that will see a further R1 billion improvement in cash-flows within the 2016/2017 financial year, before taking into consideration employee related restructuring costs.

At year end negotiations with several funding institutions were at an advanced stage as additional funding of R 2.7 billion is required in order to meet short- and long-term funding requirements of the organization including the implementation of the

Directors' Report (continued)

Corporate Plan. This debt will be backed by existing State Guarantees. During July, a loan facility of R3.7 billion was negotiated with banks, refinancing existing loans of R1 billion at the time, and resulting in a R2.7 billion inflow of cash after year-end.

22. Litigation statement

The Group becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. Refer to note 43 for more details regarding these.

23. Postbank corporatisation

During the 2010/2011 financial period, the South African Postbank Limited Act No. 9 of 2010 was signed into law providing for the establishment of a subsidiary company of the SA Post Office, namely the South African Postbank Limited, to which the designated assets and liabilities of the current Postbank division will be transferred in terms of the Postbank Act No.9 of 2010. It is envisaged that the new subsidiary will operate as a fully-fledged bank and will be regulated in terms of the Banks Act. The Application to Establish a Bank was submitted to the South African Reserve Bank on 25 September 2013. Postbank is in the process of strengthening its banking capabilities in anticipation of submitting its section 16 application for registration as a bank.

24. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the Board of Directors on 19 September 2016.

25. Acknowledgements

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

Statement of Financial Position as at March 31, 2016

		Group			Company		
		2016	2015 (Restated)	2014 (Restated)	2016	2015 (Restated)	2014 (Restated)
	Note(s)	R '000	R '000	R '000	R '000	R '000	R '000
Assets							
Non-Current Assets							
Property, plant and equipment	3	1,043,978	1,219,509	1,314,166	1,030,275	1,203,052	1,293,978
Investment property	4	40,784	53,561	20,686	39,858	52,599	20,686
Heritage assets	5	21,965	21,965	21,965	21,965	21,965	21,965
Intangible assets	6	133,444	124,811	110,094	133,396	124,720	109,481
Investments in subsidiaries	7	-	-	-	5,279	5,884	17,744
Loans to group companies	8	-	-	-	538	-	3,487
Other financial assets	9	617,883	741,190	653,485	617,883	741,190	653,485
Operating lease asset	10	3,007	1,996	-	3,313	1,939	-
Employee benefit obligations	11	15,117	12,711	12,711	15,117	12,711	12,711
Deferred tax	12	-	-	800,568	-	-	798,018
Prepayments	13	10,107	20,693	23,711	10,107	20,693	23,711
		1,886,285	**2,196,436**	**2,957,386**	**1,877,731**	**2,184,753**	**2,955,266**
Current Assets							
Inventories	14	54,784	67,845	77,389	54,740	67,742	77,125
Trade and other receivables	15	409,979	344,543	534,469	393,710	293,338	491,954
Other financial assets	9	4,863,690	3,745,217	3,629,949	4,863,690	3,745,217	3,614,337
Operating lease asset	10	116	116	1,904	142	134	1,828
Prepayments	13	16,138	27,351	40,009	16,138	27,351	40,009
Current tax receivable	16	54	114	114	-	-	-
Cash and cash equivalents	17	2,885,035	3,413,931	4,050,086	2,871,479	3,387,881	4,013,868
		8,229,796	**7,599,117**	**8,333,920**	**8,199,899**	**7,521,663**	**8,239,121**
Non-Current Assets		1,886,285	2,196,436	2,957,386	1,877,731	2,184,753	2,955,266
Current Assets		8,229,796	7,599,117	8,333,920	8,199,899	7,521,663	8,239,121
Total Assets		**10,116,081**	**9,795,553**	**11,291,306**	**10,077,630**	**9,706,416**	**11,194,387**

Statement of Financial Position as at March 31, 2016

		Group			Company		
		2016	**2015 (Restated)**	**2014 (Restated)**	**2016**	**2015 (Restated)**	**2014 (Restated)**
	Note(s)	**R '000**	**R '000**	**R '000**	**R '000**	**R '000**	**R '000**
Equity and Liabilities							
Equity							
Share capital	18	693,116	200,940	200,940	693,116	200,940	200,940
Reserves		243,887	557,791	545,605	243,887	557,791	545,605
Accumulated loss		(1,078,974)	53,432	1,583,893	(1,022,057)	84,263	1,587,429
		(141,971)	**812,163**	**2,330,438**	**(85,054)**	**842,994**	**2,333,974**
Liabilities							
Non-Current Liabilities							
Operating lease liability	10	62,972	73,490	76,134	62,954	73,337	76,134
Employee benefit obligation	11	1,246,562	1,320,578	1,308,066	1,246,178	1,320,070	1,307,524
Deferred tax	12	-	37	244,288	-	-	243,421
Provisions	21	326,546	280,543	399,348	319,232	275,838	393,594
		1,636,080	**1,674,648**	**2,027,836**	**1,628,364**	**1,669,245**	**2,020,673**
Current Liabilities							
Trade and other payables	22	1,486,719	1,401,374	794,668	1,423,485	1,310,103	723,575
Government grants	24	-	-	85,305	-	-	85,305
Other financial liabilities	23	1,008,246	-	-	1,008,246	-	-
Operating lease liability	10	6,141	3,729	4,044	6,097	3,515	3,123
Employee benefit obligation	11	150,202	131,243	131,243	150,144	131,202	131,202
Deferred income	25	258,635	268,997	284,848	250,804	259,330	273,141
Current tax payable	16	10	13	-	-	-	-
Provisions	21	556,702	470,789	383,580	540,227	457,430	374,050
Deposits from the public	26	4,820,012	4,838,040	4,737,610	4,820,012	4,838,040	4,737,610
Funds collected on behalf of third parties	27	105,892	115,828	161,384	105,892	115,828	161,384
Bank overdraft	17	229,413	78,729	350,350	229,413	78,729	350,350
		8,621,972	**7,308,742**	**6,933,032**	**8,534,320**	**7,194,177**	**6,839,740**
Non-Current Liabilities		1,636,080	1,674,648	2,027,836	1,628,364	1,669,245	2,020,673
Current Liabilities		8,621,972	7,308,742	6,933,032	8,534,320	7,194,177	6,839,740
Liabilities of disposal groups		-	-	-	-	-	-
Total Liabilities		**10,258,052**	**8,983,390**	**8,960,868**	**10,162,684**	**8,863,422**	**8,860,413**
Equities		(141,971)	812,163	2,330,438	(85,054)	842,994	2,333,974
Liabilities		10,258,052	8,983,390	8,960,868	10,162,684	8,863,422	8,860,413
Total Equity and Liabilities		**10,116,081**	**9,795,553**	**11,291,306**	**10,077,630**	**9,706,416**	**11,194,387**

Statement of Comprehensive Income

		Group		Company	
		2016	Restated 2015	2016	Restated 2015
	Note(s)	R '000	R '000	R '000	R '000
Revenue	30	4,679,292	5,120,256	4,539,499	4,801,681
Other income	31	140,007	211,635	179,422	263,472
Operating expenses		(1,789,120)	(1,859,497)	(1,773,404)	(1,818,062)
Employee costs		(3,481,673)	(3,750,725)	(3,340,633)	(3,587,559)
Transport costs		(393,511)	(562,112)	(334,758)	(405,431)
Total depreciation, amortisation and impairments	32	(167,135)	(148,027)	(249,737)	(235,178)
		4,679,292	5,120,256	4,539,499	4,801,681
Operating loss	33	**(1,012,140)**	**(988,470)**	**(979,611)**	**(981,077)**
Finance income	34	585,280	605,461	584,218	623,154
Fair value adjustments	35	14,745	91,330	14,745	91,330
Finance charge	36	(702,592)	(570,418)	(701,427)	(570,029)
Operating loss		(1,012,140)	(988,470)	(979,611)	(981,077)
Non-operating items (NET)		(102,567)	126,373	(102,464)	144,455
Loss before taxation		**(1,114,707)**	**(862,097)**	**(1,082,075)**	**(836,622)**
Income tax expense	37	(70)	(559,367)	-	(557,521)
Profit (loss) for the year from continuing operations		(1,114,777)	(1,421,464)	(1,082,075)	(1,394,143)
Loss for the year		**(1,114,777)**	**(1,421,464)**	**(1,082,075)**	**(1,394,143)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability		(24,755)	(100,315)	(25,511)	(100,357)
Income tax relating to items that will not be reclassified		-	(8,666)	-	(8,666)
Total items that will not be reclassified to profit or loss		**(24,755)**	**(108,981)**	**(25,511)**	**(109,023)**
Items that may be reclassified to profit or loss:					
Available-for-sale financial assets adjustments		4,272	12,185	4,272	12,185
Other comprehensive income for the year net of taxation	38	**(20,483)**	**(96,796)**	**(21,239)**	**(96,838)**
Total comprehensive loss for the year		**(1,135,260)**	**(1,518,260)**	**(1,103,314)**	**(1,490,981)**

Statement of Changes in Equity

	Issued share capital	Fair value adjustment assets-available-for-sale reserve	Convertible shareholder instruments	Total reserves	Accumulated loss	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000
Group						
Restated Balance at April 01, 2014	**200,940**	**53,429**	**492,176**	**545,605**	**1,583,877**	**2,330,422**
Loss for the year	-	-	-	-	(1,421,464)	(1,421,464)
Other comprehensive income for the year	-	12,185	-	12,185	(108,981)	(96,796)
Total comprehensive loss for the year	**-**	**12,185**	**-**	**12,185**	**(1,530,445)**	**(1,518,260)**
Balance at April 01, 2015	**200,940**	**65,615**	**492,176**	**557,791**	**53,432**	**812,163**
Loss for the year	-	-	-	-	(1,114,777)	(1,114,777)
Other comprehensive income for the year	-	4,272	-	4,272	(24,755)	(20,483)
Total comprehensive loss for the year	**-**	**4,272**	**-**	**4,272**	**(1,139,532)**	**(1,135,260)**
Issue of shares	492,176	-	(492,176)	(492,176)	-	-
Convertible loans from shareholder	-	-	174,000	174,000	-	174,000
Opening adjustment	-	-	-	-	7,126	7,126
Total contributions by and distributions to owners of company recognised directly in equity	**492,176**	**-**	**(318,176)**	**(318,176)**	**7,126**	**181,126**
Balance at March 31, 2016	**693,116**	**69,887**	**174,000**	**243,887**	**(1,078,974)**	**(141,971)**
Note(s)	18	19&38	20		38	
Company						
Restated Balance at April 01, 2014	**200,940**	**53,429**	**492,176**	**545,605**	**1,587,429**	**2,333,974**
Loss for the year	-	-	-	-	(1,394,143)	(1,394,143)
Other comprehensive income for the year	-	12,185	-	12,185	(109,023)	(96,838)
Total comprehensive loss for the year	**-**	**12,185**	**-**	**12,185**	**(1,503,166)**	**(1,490,981)**
Balance at April 01, 2015	**200,940**	**65,615**	**492,176**	**557,791**	**84,263**	**842,994**
Loss for the year	-	-	-	-	(1,082,075)	(1,082,075)
Other comprehensive income for the year	-	4,272	-	4,272	(25,511)	(21,239)
Total comprehensive loss for the year	**-**	**4,272**	**-**	**4,272**	**(1,107,586)**	**(1,103,314)**
Issue of shares	492,176	-	(492,176)	(492,176)	-	-
Convertible loans from shareholder	-	-	174,000	174,000	-	174,000
Opening adjustment	-	-	-	-	1,266	1,266
Total contributions by and distributions to owners of company recognised directly in equity	**492,176**	**-**	**(318,176)**	**(318,176)**	**1,266**	**175,266**
Balance at March 31, 2016	**693,116**	**69,887**	**174,000**	**243,887**	**(1,022,057)**	**(85,054)**
Note(s)	18	19&38	20		38	

Statement of Cash Flows

		Group		Company	
		2016	Restated 2015	2016	Restated 2015
	Note(s)	R '000	R '000	R '000	R '000
Cash flows from operating activities					
Cash used in operations	40	(562,823)	(126,860)	(550,264)	(34,122)
Interest income		579,110	583,685	578,052	581,410
Interest expense		(702,592)	(570,418)	(701,427)	(570,029)
Tax (paid) received	41	(65)	(388)	-	-
Net cash from operating activities		**(686,370)**	**(113,981)**	**(673,639)**	**(22,741)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(4,208)	(81,313)	(4,207)	(80,922)
Sale of investment property	4	193	1	193	-
Purchase of other intangible assets	6	(41,583)	(40,550)	(41,583)	(40,550)
Change in Estimates Property plant and equipment		36,435	9,691	36,434	9,688
Net movement in inter group loans and receivables		-	-	(538)	(74,509)
Movement on investment in subsidiaries		-	-	-	(11,860)
Dividends received		6,170	21,776	6,166	41,744
Net cash from investing activities		**(2,993)**	**(90,395)**	**(3,535)**	**(156,409)**
Cash flows from financing activities					
Movement on other financial assets		(980,421)	(111,643)	(980,421)	(127,255)
Movement in operating lease liabillity		(8,106)	(2,959)	(7,801)	(2,405)
Movement in funds collected on behalf of third parties		(9,936)	(45,556)	(9,936)	(45,556)
Proceeds from term loans		1,008,246	-	1,008,246	-
Net cash from financing activities		**9,783**	**(160,158)**	**10,088**	**(175,216)**
Total cash movement for the year		**(679,580)**	**(364,534)**	**(667,086)**	**(354,366)**
Cash at the beginning of the year		3,335,202	3,699,736	3,309,152	3,663,518
Total cash at the end of the year	17	**2,655,622**	**3,335,202**	**2,642,066**	**3,309,152**

Notes to the Consolidated Financial Statements - Accounting Policies

1. Presentation of consolidated financial statements

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

The group and company consolidated financial statements have been prepared in accordance with International Financial

Reporting Standards, and the requirements of the South African Companies Act No 71 of 2008.

The accounting policies applied in preparation of these group and company financial statements are consistent in all material respects with those applied for the year ended 31 March 2015, unless explicitly stated otherwise as changes in accounting policy. No standards were adopted before the effective date during the financial reporting period ended 31 March 2016.

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

The financial statements were prepared under the supervision of the Acting Chief Financial Office, Nichola Dewar, CA(SA).

1.1 Consolidation

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measure at fair values at the end of the each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of as asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and /or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability.

Current/ non-current distinction

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

a. assets, as an asset that is:

ii. expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;

iii. held primarily for the purpose of being traded;

iv. expected to be realised within 12 months after the reporting period; or

v. cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period;

Notes to the Consolidated Financial Statements - Accounting Policies

b. liabilities, as a liability that:

i. is expected to be settled in the entity's normal operating cycle;

ii. is held primarily for the purpose of being traded;

iii. is due to be settled within 12 months after the reporting period; or

iv. the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets include inventories and trade receivables that are sold, consumed or realised as part of the normal operating cycle and current liabilities include those liabilities that form part of the working capital used in a normal operating cycle of the entity, for example trade payables and accruals for employee benefits expense.

The principal accounting policies are set out below.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the

Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non- controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements - Accounting Policies

1.2 Significant judgments and sources of estimation uncertainty

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

Trade receivables, Held to maturity investments and Loans and receivables

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

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

Available-for-sale financial assets

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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

Impairment testing of non-financial assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value- in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that assumptions may change which may then impact estimations and may then require a material adjustment to the carrying value of non-financial assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

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

Notes to the Consolidated Financial Statements - Accounting Policies

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

Taxation

Judgment is required when determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. W here the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Deferred income

Judgment is required when determining the deferred revenue due to the stage of completion of the revenue contract at year end. There are many transactions and calculations for which the ultimate deferred revenue determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated deferred income based on the stage of completion. Where the finaloutcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss and deferred income liabilityin the period in which such determination is made.

Post-employment benefit obligations

In determining the value to be placed on these post employment benefits various assumptions in respect of various economic and demographic factors have been made. In order to have consistency between the benefits, the same assumptions for all benefits have been applied where relevant. In assessing the appropriateness of the assumptions used it is important to consider the assumptions as a whole rather than in isolation. In particular, the relationship between the assumptions for the discount rate and the rate of increase in benefits is important.

IAS 19 Employee Benefits (IAS19) requires that realistic assumptions be applied in the valuation and that this should be determined with reference to the yields on corporate stock of similar duration to the liabilities. The standard further indicates that if the corporate bond market is neither sufficiently deep nor liquid reference should be made to the yields on government stock. For the purpose of this valuation account has been taken of the yields on South African government stock as reflected in the yield curve of the Bond Exchange of South Africa. The basic inflation assumption has also been determined by reference to the inflation rate implied in the market by the difference between the yield on nominal and inflation linked government stock.

The demographic assumptions (e.g. mortality, withdrawal rates, etc.) have been based on standard actuarial tables and other assumption rates that are generally used in the market place for the valuation of liabilities of this nature. Allowance has been made for AIDS related deaths in respect of the long service and leave encashment benefits, but not the PRMA benefits, using the Actuarial Society of South Africa AIDS model.

The results of the valuation are highly dependent on the choice of assumptions and the relationship between them. Therefore, in order to assist the user in interpretation of the valuation, results show the impact on the liabilities of a number of different assumptions.

Actuarial valuations are performed on an annual basis.

Site restoration and dismantling cost

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

Notes to the Consolidated Financial Statements - Accounting Policies

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

The Universal Service Obligations (USO)embodies in legislation governing the South African Post Office (SOC) Limited obligest the company to expand its presence in South Africa (SA), especially in rural SA. This means that the South African Post Office (SOC) Limited would most probably not reduce the number of leasehold premises, but instead expand its presence to more buildings. The type of leasehold premises has been taken into account when arriving at a conclusion regarding possible restoration requirements. A vacant stand with a Mail Collection Point (MCP) would probably not require restoration should they ever wish to relocate. The South African Post Office (SOC) Limited may not wish to relocate from shopping centres and malls.

In the event that it does relocate the terms of the lease and the nature of its business are such that restoration of the premises might not be required. The date that the South African Post Office (SOC) Limited originally occupied leasehold premises is also an indication of the chances of ever moving out of the premises, thus negating the liability to restore such leasehold premises. During the year, the South African Post Office (SOC) Limited relocated from 7 (2014: 16) leasehold premises of which 6 (2014: 6) of the lessors required restoration.

Estimation of useful lives and residual Values

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

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

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost including any cost directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating as intended by management. Land is not depreciated. W here any item comprises of major components with different useful lives, these major components are accounted for as separate items.

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

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

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

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

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses, and Buildings, Buildings and Buildings which is carried at revalued amounts being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Notes to the Consolidated Financial Statements - Accounting Policies

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The assumptions regarding estimated useful lives of items of property, plant and equipment have been assessed as follows:

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

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected

from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the group holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss; and

Notes to the Consolidated Financial Statements - Accounting Policies

- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

1.5 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs .

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Cost model

Investment property is carried at cost less depreciation and any accumulated impairment losses.

The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

Depreciation is provided to write down the cost, less estimated residual value on straight line basis over the useful life of the property, which is as follows:

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

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

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

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

Transfers

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

1.6 Heritage assets

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

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

An entity shall recognise a heritage asset when, and only when:

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

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

Where heritage assets were acquired for no cost or nominal cost, its cost should be measured at fair value on the date of acquisition.

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

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

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

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

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

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An asset is derecognised when it is disposed of or when no future economic benefits or service potential is expected. Any gain or loss is recognised in profit or loss. The revaluation surplus included in equity in respect of a heritage assets may be transferred directly to retained earnings when it is derecognised.

A heritage asset shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

In assessing whether there is an indication that an asset may be impaired, the group shall consider, as a minimum, the following indications:

External sources of information

a. During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

b. The absence of an active market for a revalued heritage asset.

Internal sources of information

a. Evidence is available of physical damage or deterioration of a heritage asset.

b. A decision to halt the construction of the heritage asset before it is complete or in a usable form.

1.7 Intangible assets

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;

Notes to the Consolidated Financial Statements - Accounting Policies

- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- and
- the expenditure attributable to the asset during its development can be measured reliably.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally –generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

The amortisation period and the amortisation method for intangible assets are reviewed regularly.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

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

1.8 Impairment of non-financial assets

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

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

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

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

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Interests in subsidiaries

Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

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The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

1.10 Financial instruments

Classification

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

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

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

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

Initial recognition and measurement

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

Financial instruments are measured initially at fair value which are measured at cost and are classified as available-for-sale financial assets.

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

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

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

Subsequent measurement

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

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated

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impairment losses. Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be immaterial.

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

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

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

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

Derecognition

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

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

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

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

Fair value determination

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

Impairment of financial assets

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

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

Notes to the Consolidated Financial Statements - Accounting Policies

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

Impairment losses are recognised in profit or loss.

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

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

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

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

Financial instruments designated as at fair value through profit or loss

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

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

Loans to (from) group companies

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

Loans to group companies are classified as loans and receivables.

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

Loans from the shareholder

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

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

Held-to-maturity

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

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

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

Offsetting

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

1.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

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Lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

A defined contribution plan is a pension plan under which the group pays fixed contributions. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are recognised as an expense as incurred.

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Defined benefit schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income

1.13 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent that it is unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and

Notes to the Consolidated Financial Statements - Accounting Policies

- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and branches, except to the extent that both of the following conditions are satisfied:

- the parent or investor is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries and branches, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.14 Inventories

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

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

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

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

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

1.15 Share capital and equity

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

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1.16 Convertible loans

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

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

a. The instrument includes no contractual obligation:

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

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

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

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

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

1.17 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Management applies its judgment to the fact of patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgment application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Contingent assets and contingent liabilities are not recognised.

1.18 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate for.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

A Government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

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

Grants related to income are deducted from the related expense.

1.19 Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.20 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.21 Insurance contracts

The group issues short-term insurance contracts that protect the group's customers against the risk of loss or damage. These contracts transfer significant insurance risk. As a general guideline, the group defines significant insurance risk as the possibility of having to pay benefits, on the occurrence of an insured event, that is at least 10% more than the benefits payable if the insured event did not occur.

1.22 Related parties

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

The South African Post Office (SOC) Limited operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Related parties includes, but are not limited to other Government Owned Entities as above,management who holds positions of responsibility within the group including those charged with governance in accordance with legislation, members of management

Notes to the Consolidated Financial Statements - Accounting Policies

that are responsible for the strategic direction and operational management of the group and are entrusted with significant authority. Their remuneration may be established by statute or by another body independent of the company. However, their responsibilities may enable them to influence the benefits of office that flow to them, or their related parties or parties that they represent on the governing body.

1.23 Capital Commitments

Capital commitments represent goods or services that have been ordered, but no delivery has taken place at the reporting date. These amounts are not recognised in the statement of financial position as an accrual or liability or as expenditure in the statement of comprehensive income.

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

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.25 Irregular expenditure

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

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

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

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

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

1.26 Adjusting events after the reporting period

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

Two types of events can be identified:

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

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

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

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

Notes to the Consolidated Financial Statements - Accounting Policies

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

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

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

a. the nature of the event; and

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

Notes to the Consolidated Financial Statements

2. New Standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendment to IAS 19: Defined Benefit Plans: Employee Contributions

The amendment relates to contributions received from employees or third parties for defined benefit plans. These contributions could either be discretionary or set out in the formal terms of the plan. If they are discretionary then they reduce the service cost. Those which are set out in the formal terms of the plan are either linked to service or not. When they are not linked to

service then the contributions affect the remeasurement. When they are linked to service and to the number of years of service, they reduce the service cost by being attributed to the periods of service. If they are linked to service but not to the number of years' service then they either reduce the service cost by being attributed to the periods of service or they reduce the service cost in the period in which the related service is rendered.

The effective date of the amendment is for years beginning on or after July 01, 2014.

The group has adopted the amendment for the first time in the 2016 consolidated financial statements. The impact of the amendment is not considered to be material.

Amendment to IFRS 13: Fair Value Measurement: Annual improvements project

The amendment clarifies that references to financial assets and financial liabilities in paragraphs 48–51 and 53–56 should be read as applying to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after July 01, 2014.

The group has adopted the amendment for the first time in the 2016 consolidated financial statements. The impact of the amendment is not considered to be material.

Amendment to IAS 38: Intangible Assets: Annual improvements project

The amendment adjusts the option to proportionately restate accumulated amortisation when an intangible asset is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated amortisation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after July 01, 2014.

The group has adopted the amendment for the first time in the 2016 consolidated financial statements. The impact of the amendment is not considered to be material.

Amendment to IAS 24: Related Party Disclosures: Annual improvements project

The definition of a related party has been amended to include an entity, or any member of a group of which it is a part, which provides key management personnel services to the reporting entity or to the parent of the reporting entity ("management entity"). Disclosure is required of payments made to the management entity for these services but not of payments made by the management entity to its directors or employees.

The effective date of the amendment is for years beginning on or after July 01, 2014.

The group has adopted the amendment for the first time in the 2016 consolidated financial statements. The impact of the amendment is not considered to be material.

Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project

The amendment adjusts the option to proportionately restate accumulated depreciation when an item of property, plant and equipment is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is then adjusted as the difference between the gross and net carrying amount.

Notes to the Consolidated Financial Statements

The effective date of the amendment is for years beginning on or after July 01, 2014.

The group has adopted the amendment for the first time in the 2016 consolidated financial statements. The impact of the amendment is not considered to be material.

Amendment to IAS 40: Investment Property: Annual improvements project

The amendment requires an entity to determine whether the acquisition of investment property is the acquisition of an asset or a business combination, in which case the provisions of IFRS 3 Business Combinations applies.

The effective date of the amendment is for years beginning on or after July 01, 2014.

The group has adopted the amendment for the first time in the 2016 consolidated financial statements. The impact of the amendment is not considered to be material.

2.2 Standards and interpretations not yet effective

Certain applicable new, amended and revised IFRS have been issued but not yet effective for the Group's 2015 financial year. The group has not early adopted the new, amended and revised IFRS that are not yet effective:

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

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

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

The group expects to adopt the amendment for the first time in the 2017 consolidated audited financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Amendment to IAS 19: Employee Benefits: Annual Improvements project

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

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

The group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

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

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

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

The group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

IFRS 9 Financial Instruments

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

Notes to the Consolidated Financial Statements

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

Key requirements of IFRS 9:

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

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

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

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

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

Notes to the Consolidated Financial Statements

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

The group expects to adopt the standard for the first time in the 2018 consolidated financial statements. The impact of this standard is currently being assessed.

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

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

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

The group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Amendment to IAS 27: Equity Method in Separate Financial Statements

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

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

The group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Amendments to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

The standard introduces changes in methods of disposal, it now includes specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

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

The group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Amendments to IFRS 10: Consolidated Financial Statements

The standard addresses issues that have arisen in relation to the exemption from consolidation for investment entities: Whether an investment entity parent should account for an investment entity subsidiary at fair value, when the subsidiary provides investment-related services to third parties. The interaction between the investment entity amendments and the exemption from preparing consolidated financial statements requirements in IFRS 10. Whether a non-investment entity must 'unwind' the fair value accounting of its joint ventures or associates that are investment entities.

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

The group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Amendments to IFRS 12: Disclosure of Interests in Other Entities

The standard addresses issues that have arisen in relation to the exemption from consolidation for investment entities: Whether an investment entity parent should account for an investment entity subsidiary at fair value, when the subsidiary provides investment-related services to third parties. The interaction between the investment entity amendments and the exemption from preparing consolidated financial statements requirements in IFRS 10. Whether a non-investment entity must 'unwind' the fair value accounting of its joint ventures or associates that are investment entities.

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

The group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Notes to the Consolidated Financial Statements

Amendments to IFRS 16: Leases

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. [IFRS 16:1]. IFRS

16 replaces the following standards and interpretations:

SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

- IAS 17 Leases
- IFRIC 4 Determining whether an Arrangement contains a Lease
- SIC-15 Operating Leases - Incentives
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

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

The group expects to adopt the amendment for the first time in the 2020 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Notes to the Consolidated Financial Statements

3. Property, plant and equipment

Group	2016			2015		
	Cost R '000	Accumulated depreciation R '000	Carrying value R '000	Cost R '000	Accumulated depreciation R '000	Carrying value R '000
Assets under construction	3,594	-	3,594	4,838	-	4,838
Buildings	741,463	(245,898)	495,565	772,425	(256,076)	516,349
Data processing equipment	416,740	(344,328)	72,412	423,564	(318,411)	105,153
Furniture and fixtures	62,449	(38,724)	23,725	63,312	(37,289)	26,023
Land	192,601	-	192,601	209,722	-	209,722
Leasehold improvements	354,407	(306,369)	48,038	325,487	(272,052)	53,435
Machinery and equipment	409,310	(319,416)	89,894	413,044	(304,143)	108,901
Motor vehicles	55,200	(26,190)	29,010	55,492	(23,970)	31,522
Site restoration	172,725	(83,586)	89,139	216,385	(52,819)	163,566
Total property, plant and equipment	**2,408,489**	**(1,364,511)**	**1,043,978**	**2,484,269**	**(1,264,760)**	**1,219,509**

Company	2016			2015		
	Cost R '000	Accumulated depreciation R '000	Carrying value depreciation R '000	Cost R '000	Accumulated depreciation R '000	Carrying value R '000
Assets under construction	3,594	-	3,594	4,838	-	4,838
Buildings	736,128	(243,661)	492,467	767,090	(254,006)	513,084
Data processing equipment	403,271	(333,590)	69,681	409,595	(308,155)	101,440
Furniture and fixtures	59,507	(35,920)	23,587	60,174	(34,398)	25,776
Land	188,888	-	188,888	206,009	-	206,009
Leasehold improvements	353,815	(305,822)	47,993	324,895	(271,546)	53,349
Machinery and equipment	381,413	(293,144)	88,269	384,129	(277,653)	106,476
Motor vehicles	33,323	(6,666)	26,657	33,530	(5,016)	28,514
Site restoration	172,725	(83,586)	89,139	216,385	(52,819)	163,566
Total property, plant and equipment	**2,332,664**	**(1,302,389)**	**1,030,275**	**2,406,645**	**(1,203,593)**	**1,203,052**

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance R '000	Additions R '000	Retirements R '000	Transfers R '000	Change in estimate R '000	Depreciation R '000	Total R '000
Land	209,722	-	(18,852)	1,731	-	-	192,601
Buildings	516,349	554	(587)	324	-	(21,075)	495,565
Site restoration	163,566	-	(1,533)	-	(36,434)	(36,460)	89,139
Machinery and equipment	108,901	765	(595)	-	-	(19,177)	89,894
Furniture and Fittings	26,023	-	(164)	-	-	(2,134)	23,725
Motor vehicles	31,522	-	(66)	-	-	(2,446)	29,010
Data processing equipment	105,153	2,627	(385)	-	-	(34,983)	72,412
Leasehold improvements	53,435	262	(136)	7,266	-	(12,789)	48,038
Assets under construction	4,838	-	-	(1,244)	-	-	3,594
Total property, plant and equipment	**1,219,509**	**4,208**	**(22,318)**	**8,077**	**(36,434)**	**(129,064)**	**1,043,978**

Notes to the Consolidated Financial Statements

Reconciliation of property, plant and equipment - Group - 2015

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	219,976	-	-	(10,254)	-	-	209,722
Buildings	558,758	1,462	(58)	(22,024)	-	(21,789)	516,349
Site restoration	184,595	9,158	(496)	-	(9,690)	(20,001)	163,566
Machinery and equipment	109,608	22,689	(2,639)	93	-	(20,850)	108,901
Furniture and Fittings	27,832	758	(501)	(7)	-	(2,059)	26,023
Motor vehicles	34,207	-	(692)	-	-	(1,993)	31,522
Data processing equipment	116,580	35,487	(3,040)	-	-	(43,874)	105,153
Leasehold improvements	61,112	6,922	(230)	236	-	(14,605)	53,435
Assets under construction	1,495	4,837	(177)	(1,317)	-	-	4,838
Total property, plant and equipment	**1,314,163**	**81,313**	**(7,833)**	**(33,273)**	**(9,690)**	**(125,171)**	**1,219,509**

Reconciliation of property, plant and equipment - Company - 2016

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	206,009	-	(18,852)	1,731	-	-	188,888
Buildings	513,084	554	(587)	324	-	(20,908)	492,467
Site restoration	163,566	-	(1,533)	-	(36,434)	(36,460)	89,139
Machinery and equipment	106,476	765	(500)	-	-	(18,472)	88,269
Furniture and Fittings	25,776	-	(158)	-	-	(2,030)	23,587
Motor vehicles	28,514	-	(2)	-	-	(1,856)	26,657
Data processing equipment	101,440	2,628	(378)	-	-	(34,004)	69,681
Leasehold improvements	53,349	260	(136)	7,266	-	(12,748)	47,993
Assets under construction	4,838	-	-	(1,243)	-	-	3,594
Total property, plant and equipment	**1,203,052**	**4,207**	**(22,146)**	**8,078**	**(36,434)**	**(126,478)**	**1,030,275**

Reconciliation of property, plant and equipment - Company - 2015

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	216,075	-	-	(10,066)	-	-	206,009
Buildings	554,516	1,463	(58)	(21,214)	-	(21,623)	513,084
Site restoration	184,595	9,158	(496)	-	(9,690)	(20,001)	163,566
Machinery and equipment	106,185	22,690	(2,568)	93	-	(19,924)	106,476
Data processing equipment	27,509	758	(464)	(7)	-	(2,020)	25,776
Motor vehicles	30,413	-	(18)	-	-	(1,881)	28,514
Data processing equipment	112,182	35,093	(2,969)	-	-	(42,866)	101,440
Leasehold improvements	61,009	6,923	(230)	235	-	(14,588)	53,349
Assets under construction	1,495	4,837	(177)	(1,317)	-	-	4,838
Total property, plant and equipment	**1,293,979**	**80,922**	**(6,980)**	**(32,276)**	**(9,690)**	**(122,903)**	**1,203,052**

Property, plant and equipment encumbered as security

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

Changes in estimates

The group reassesses the useful lives and residual values of items of property, plant and equipment at the end of the reporting period, in line with the accounting policy and IAS 16 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information. Refer to note 53 for more details.

Notes to the Consolidated Financial Statements

Borrowing costs capitalised

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

Fair value

Property, plant and equipment and significant components thereof are stated at the cost less accumulated depreciation and impairment thereof. According to company policy, valuations are done to assess the relevance of the cost model.

	Group		Company	
	2016	Restated 2015	2016	Restated 2015
	R '000	R '000	R '000	R '000
Municipal value of land and buildings	1,347,168	1,382,962	1,347,168	1,382,962

The fair value of the land and buildings as at 31 March 2016 and 31 March 2015 has been arrived at on the basis of a valuation values obtained from the relevant municipalities

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

Property, plant and equipment obtained by means of government grants

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

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

Group and company reconciliation 2015	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000
Buildings	87,800	(21,529)	66,271
Data processing equipment	362,009	(362,009)	-
Furniture and fittings	206	(206)	-
Land	4,028	-	4,028
Leasehold improvements	292,115	(287,433)	4,682
Machinery and equipment	104,011	(64,764)	39,247
Motor vehicles	490	(490)	-
Total property, plant and equipment by means of Government grants	**850,659**	**(736,431)**	**114,228**

Notes to the Consolidated Financial Statements

4. Investment property

Group	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Investment property	59,068	(18,284)	40,784	67,467	(13,906)	53,561

Company	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Investment property	57,700	(17,842)	39,858	66,099	(13,500)	52,599

Reconciliation of investment property - Group - 2016

	Opening balance	Disposals	Transfers	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000
Investment property	53,561	(193)	(9,321)	(3,263)	40,784

Reconciliation of investment property - Group - 2015

	Opening balance	Transfers	Depreciation	Total
	R '000	R '000	R '000	R '000
Investment property	20,686	33,277	(401)	53,561

Reconciliation of investment property - Company - 2016

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

Reconciliation of investment property - Company - 2015

	Opening balance	Transfers	Depreciation	Total
	R '000	R '000	R '000	R '000
Investment property	20,686	32,277	(364)	52,599

Investment property is stated at the cost less accumulated depreciation and impairment thereof. According to company policy, valuations are done to assess the relevance of the cost model.

	2016	Restated 2015	2016	Restated 2015
	R '000	R '000	R '000	R '000
Fair value of investment properties	135,436	132,846	135,436	132,846

The fair value of the Group's investment property as at 31 March 2016 and 31 March 2015 has been arrived at on the basis of a valuation values obtained from the relevant municipalities.

The company has not been able to perform valuation of the investment properties. The company embarked on a project to value the investment properties. The project started in April 2016 where 99 of the properties were valued on the date of the financial statements. Appropriate fair values of the investment properties will be available for the 2016/17 financial year.

Pledged as security

No investment property has been pledged as security for liabilities.

Notes to the Consolidated Financial Statements

Borrowing costs capitalised

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

Other disclosures

Transfers in investment property relate to properties previously classified property, plant and equipment.

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

Investment property obtained by means of government grants

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

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

Group and company reconciliation 2015	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000
Investment property	217	(45)	172

5. Heritage assets

Group	2016			2015		
	Fair value	Revaluation	Carrying value	Fair value	Revaluation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Documents	10	-	10	10	-	10
Other assets	126	-	126	126	-	126
Philatelic stationary	206	-	206	206	-	206
Photographs	25	-	25	25	-	25
Stamps	18,319	-	18,319	18,319	-	18,319
Works of art	3,279	-	3,279	3,279	-	3,279
Total heritage assets	**21,965**	**-**	**21,965**	**21,965**	**-**	**21,965**

Company	2016			2015		
	Fair value	Revaluation	Carrying value	Fair value	Revaluation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Documents	10	-	10	10	-	10
Other assets	126	-	126	126	-	126
Philatelic stationary	206	-	206	206	-	206
Photographs	25	-	25	25	-	25
Stamps	18,319	-	18,319	18,319	-	18,319
Works of art	3,279	-	3,279	3,279	-	3,279
Total heritage assets	**21,965**	**-**	**21,965**	**21,965**	**-**	**21,965**

Notes to the Consolidated Financial Statements

Reconciliation of heritage assets - Group and company - 2016

	Opening balance R '000	Total R '000
Documents	10	10
Other assets	126	126
Philatelic stationary	206	206
Photographs	25	25
Stamps	18,319	18,319
Works of art	3,279	3,279
	21,965	**21,965**

Reconciliation of heritage assets - Group and company - 2015

	Opening balance R '000	Total R '000
Documents	10	10
Other assets	126	126
Philatelic stationary	206	206
Photographs	25	25
Stamps	18,319	18,319
Works of art	3,279	3,279
Total heritage assets	**21,965**	**21,965**

Pledged as security

No heritage assets were pledged as security for liabilities.

Borrowing costs capitalised

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

Valuations

Fair value revaluations are made at 5 years intervals such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The effective date of the last revaluation was 31 March 2014. The revaluation was performed by independent valuators, that is not connected to the group.

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

Other information

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

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

Notes to the Consolidated Financial Statements

6. Intangible assets

Group	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	348,666	(270,028)	78,638	305,946	(238,079)	67,867
Intangible assets under development	54,806	-	54,806	56,944	-	56,944
Total intangible assets	**403,472**	**(270,028)**	**133,444**	**362,890**	**(238,079)**	**124,811**

Company	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	345,292	(266,702)	78,590	302,572	(234,796)	67,776
Intangible assets under development	54,806	-	54,806	56,944	-	56,944
Total intangible assets	**400,098**	**(266,702)**	**133,396**	**359,516**	**(234,796)**	**124,720**

Reconciliation of intangible assets - Group - 2016

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

Reconciliation of intangible assets - Group - 2015

	Opening balance	Additions	Retirements	Transfers	Amortisation	Closing balance
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	56,650	15,534	(2,524)	21,516	(23,309)	67,867
Intangible assets under development	53,444	25,016	-	(21,516)	-	56,944
Total intangible assets	**110,094**	**40,550**	**(2,524)**	**-**	**(23,309)**	**124,811**

Reconciliation of intangible assets - Company - 2016

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

Reconciliation of intangible assets - Company - 2015

	Opening balance	Additions	Retirements	Transfers	Amortisation	Closing balance
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	56,037	15,534	(2,524)	21,516	(22,787)	67,776
Intangible assets under development	53,444	25,016	-	(21,516)	-	56,944
Total intangible assets	**109,481**	**40,550**	**(2,524)**	**-**	**(22,787)**	**124,720**

Notes to the Consolidated Financial Statements

Individually material intangible assets

There are no individually material intangible assets that require specific disclosure.

Pledged as security

No intangible assets have been pledged as security for liabilities.

Borrowing costs capitalised

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

Other information

Included in intangible assets is computer software that is not considered integral to computer equipment. There were no impairments of intangible assets during the year.

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

Intangible assets obtained by means of government grants

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

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

Group and company reconciliation 2015	Cost R '000	Accumulated amortisation R '000	Carrying value R '000
Computer software	249,026	(247,685)	1,341

Notes to the Consolidated Financial Statements

7. Investments in subsidiaries

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

Group

Name of company	Held by	% holding	% holding
	2016	**2015**	
The Courier and Freight Botswana (Pty) Ltd	The Courier and Freight Group (Pty) Ltd	- %	100.00 %
The Courier and Freight Namibia (Pty) Ltd	The Courier and Freight Group (Pty) Ltd	100.00 %	100.00 %

During the current year, The Courier and Freight Botswana (Pty) Ltd was deregistered. The Courier and Freight Namibia (Pty) Ltd remains dormant.

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements.

Company

Name of company	Place of incorporation	Principal activities	% holding	% holding	Carrying amount 2016	Carrying amount 2015
Sapos Properties (Bloemfontein) (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	750	750
Sapos Properties (Cape Town) (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	4,085	4,085
Sapos Properties (East Rand) (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	11,195	11,195
Sapos Properties (Port Elizabeth) (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	1,670	1,670
Sapos Properties (Rossburgh) (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	3,800	3,800
The Courier and Freight Group (Pty) Ltd	South Africa	Provides courier, freight and related logistical services to business within and beyond the South African boundaries			1,053	1,053
The Document Exchange (Pty) Ltd	South Africa	Provides document exchange services	100.00 %	100.00 %	-	-
Truebill (Pty) Ltd	South Africa	*	100.00 %	100.00 %	-	-
Sapos Property (Pty) Ltd	South Africa	Renting of properties	100.00 %	100.00 %	-	-
					22,553	22,553
Impairment of investment in subsidiaries		- %	-	-	(17,274)	(16,669)
Total investment in subsidiaries net of impairment					5,279	5,884

*During the current year Truebill (Pty) Ltd remains dormant.

The investments in subsidiary companies listed above are unlisted.

Investments in subsidiaries pledged as security

No investments in subsidiaries have been pledged as security for liabilities.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

8. Inter group loans and receivables

Loans

Sapos Properties (Bloemfontein) (Pty) Ltd	-	-	474	442
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (Cape Town) (Pty) Ltd	-	-	1,670	1,576
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (East Rand) (Pty) Ltd	-	-	3,091	3,024
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (Port Elizabeth) (Pty) Ltd	-	-	202	475
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (Rossburgh) (Pty) Ltd	-	-	4,065	3,704
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
The Courier and Freight Group (Pty) Ltd	-	-	219,322	219,322
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
The Courier and Freight Group (Pty) Ltd	-	-	40,918	40,918
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Total loans	-	-	269,742	269,461
Impairment of loans	-	-	(269,742)	(269,461)
Total loans net of impairment	**-**	**-**	**-**	**-**

The South African Post Office (SOC) Limited does not anticipate the recovery of the above mentioned loans within the next 12 months.

Receivables

The Courier and Freight Group (Pty) Ltd	-	-	371,668	285,204
The Document Exchange (Pty) Ltd	-	-	537	228
Total long term receivables	-	-	372,205	285,432
Impairment of long term receivables	-	-	(371,668)	(285,432)
Total long term receivables net of impairment	**-**	**-**	**538**	**-**

All the long term receivable above accrues interest at the prime.

The South African Post Office (SOC) Limited does not anticipate the recovery of the above mentioned receivables within the next 12 months.

Credit quality of inter group loans and long term receivables

The credit quality of inter group loans and long term receivables that are neither past due nor impaired can be assessed by reference to the subsidiary companies' ability to to generate profits. All inter group loans and long term receivables have been impaired in full.

Fair value of inter group loans and long term receivables

Inter group loans and long term receivables	-	-	538	-

The fair value of the inter group loans and long term receivables was calculated as the cost less accumulated impairments.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Inter group loans and long term receivables past due but not impaired

Inter group loans and long term receivables which are less than 3 months past due are not considered to be impaired, unless the company is in an accumulated loss situation and is continuing to make losses, in which case the full amount is impaired. At March 31, 2016, R 538 million (2015: R 0 million) were past due but not impaired.

Intergroup loans and long term receivables impaired

As of March 31, 2016, inter group loans and receivables of R 641 million (2015: R 555 million) were impaired and provided for.

The ageing of these loans is as follows:

Over 6 months	-	-	641,182	554,893

Reconciliation of provision for impairment of inter group loans and long term receivables

Opening balance	-	-	554,893	476,897
Provision for impairment	-	-	86,289	77,996
Total provision for impairment	-	-	641,182	554,893

The creation and release of the provision for impaired inter group loans and long term receivables have been included in operating expenses in the statement of profit or loss and other comprehensive income (note 33). Amounts charged to the provision account are generally written off when there is no expectation of recovering them.

The maximum exposure to credit risk at the reporting date is the fair value of each class of inter group loans and long term receivables mentioned above. The group does not hold any collateral as security.

Inter group loans and long term receivables pledged as collateral

No inter group loans and long term receivables have been pledged as security for liabilities.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

9. Other financial assets

At fair value through profit or loss				
Investments at fair value: PRMA	936,772	924,433	936,772	924,433
Available-for-sale				
Negotiable Certificates of Deposit	1,646,935	708,327	1,646,935	708,327
Promissory Notes	562,956	617,019	562,956	617,019
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	93,947	85,084	93,947	85,084
Total available-for-sale	**2,303,838**	**1,410,430**	**2,303,838**	**1,410,430**
Held to maturity				
Fixed Deposits	2,098,982	2,047,253	2,098,982	2,047,253
Jibar Linked Notes	141,981	104,291	141,981	104,291
Total held-to-maturity	**2,240,963**	**2,151,544**	**2,240,963**	**2,151,544**
	936,772	924,433	936,772	924,433
	-	-	-	-
	2,303,838	1,410,430	2,303,838	1,410,430
	2,240,963	2,151,544	2,240,963	2,151,544
	-	-	-	-
Total other financial assets	**5,481,573**	**4,486,407**	**5,481,573**	**4,486,407**
Non-current assets				
At fair value through profit or loss	523,936	656,106	523,936	656,106
Available-for-sale	93,947	85,084	93,947	85,084
Total non-current assets	**617,883**	**741,190**	**617,883**	**741,190**
Current assets				
At fair value through profit or loss	412,836	268,327	412,836	268,327
Available-for-sale	2,209,891	1,325,346	2,209,891	1,325,346
Held-to-maturity	2,240,963	2,151,544	2,240,963	2,151,544
Total current assets	**4,863,690**	**3,745,217**	**4,863,690**	**3,745,217**
Non-current assets	617,883	741,190	617,883	741,190
Current assets	4,863,690	3,745,217	4,863,690	3,745,217
Investment balances held by the entity that are not available for use by the group.	4,450,854	3,476,980	4,450,854	3,476,980

The group owns an equity stake of 100 ordinary shares in Gidani Management (Pty) Ltd, which represents 10.00% of Gidani shares. The fair value of the shares was determined by the South African Post Office (SOC) Limited management to be zero at period end (2015: R 0). The shares were allocated to the South African Post Office (SOC) Limited by the Department of Trade and Industry. The entity is in a process of being wound up.

During the year, the group was allocated 10 Ordinary shares in Ithuba Holdings (Pty) Ltd which represents 5.00% holding. The fair value of the shares was determined by the South African Post Office (SOC) Limited management to be zero at year end. The shares were allocated to the South African Post Office (SOC) Limited by the Department of Trade and Industry.

The Negotiable Certificates of Deposit (NCDs), Promissory Notes and the unlisted shares held in the cell captive Centriq Insurance Innovation (Pty) Ltd are classified as available-for-sale financial assets, which are measured at fair value, with fair value gains and losses recognised directly in other comprehensive income

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

The Fixed Deposits and Jibar Linked Notes are classified as held to maturity instruments, which are measured at amortised cost using the effective interest method, less any impairment, with revenue recognised on an effective yield basis. The Fixed Deposits and Jibar Linked Notes shown above are greater than 90 days and less than 12 months in time to maturity. The Fixed Deposits and Jibar Linked Notes that are less than 90 days in maturity are classified as cash and cash equivalents and are included under short-term deposits in note 17.

Fair value information of assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

The following classes of financial assets at fair value through profit or loss are measured to fair value using quoted market prices:

- Local cash
- Local bonds
- Local equity
- Foreign cash
- Foreign bonds

Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets in active markets. Level 2 applies inputs other than quoted prices included in level 1, that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 1				
Local bonds	203,743	250,448	203,743	250,448
Local equity	351,403	393,831	351,403	393,831
Foreign bonds	6,141	24,232	6,141	24,232
Total level 1	**561,287**	**668,511**	**561,287**	**668,511**
Level 2				
Local and foreign investments & NCD's	375,485	255,922	375,485	255,922
	561,287	668,511	561,287	668,511
	375,485	255,922	375,485	255,922
	-	-	-	-
Total level 1 and 2	**936,772**	**924,433**	**936,772**	**924,433**

For the current and previous financial years, there were no transfers between levels 1 and 2.

Financial assets at fair value through profit or loss are denominated in the following currencies:

Rand	936,772	924,433	936,772	924,433

Fair value information of available-for-sale financial assets

Available-for-sale financial assets are recognised at fair value unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets. Management believes that cost approximates fair value.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

The following classes of available-for-sale financial assets are measured to fair value using quoted market prices:

- Negotiable Certificates of Deposit
- Promissory Notes

The carry value (based on the audited financial statements of Centriq) is used in the determination of the fair value of unlisted shares for which no reference can be made to quoted market prices. Management believes that the carry value approximates the fair value of this investment.

Fair value hierarchy of available-for-sale financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets in active markets. Level 2 applies inputs other than quoted prices included in level 1 that are observable for the assets either directly (as prices) or

indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Group 2016	Group 2015	Company 2016	Company 2015
Level 2				
Negotiable Certificates of Deposit	1,646,935	708,327	1,646,935	708,327
Promissory Notes	562,956	617,019	562,956	617,019
Total level 2	**2,209,891**	**1,325,346**	**2,209,891**	**1,325,346**
Level 3				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	93,947	85,084	93,947	85,084
	-	-	-	-
	2,209,891	1,325,346	2,209,891	1,325,346
	93,947	85,084	93,947	85,084
	2,303,838	**1,410,430**	**2,303,838**	**1,410,430**

	Group 2016	Group 2015	Company 2016	Company 2015
Transfers out of level 2				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	-	(87,964)	-	(87,964)

Management are of the opinion that the carry value of the unlisted shares are more indicative of fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs) and therefore for more accurate disclosure, the unlisted shares should be included in level 3.

	Group 2016	Group 2015	Company 2016	Company 2015
Transfers into level 3				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	-	87,964	-	87,964

Management are of the opinion the the carry value of the unlisted shares are more indicative of fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs) and therefore for more accurate disclosure, the unlisted shares should be included in level 3.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Reconciliation of available-for-sale financial assets measured at level 3

Reconciliation of available-for-sale financial assets measured at level 3 - Group - 2016

	Opening balance R'000	Gains or losses in other comprehensive income R'000	Closing balance R'000
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	85,084	8,863	93,947

Reconciliation of available-for-sale financial assets measured at level 3 - Company - 2016

	Opening balance R'000	Gains or losses in other comprehensive income R'000	Closing balance R'000
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	85,084	8,863	93,947

SAPO is a holder of preference share in Centriq Insurance Company Limited (Centriq). In terms of the preference share agreement, Centriq operates a cell captive facility for SAPO.

The financial position and results of the insurance operations conducted through the cell captive are presented in the form of management accounts. The management accounts include a balance sheet as at 31 March 2016, as well as an income statement for the period then ended.

The fair value of the preference share is determined with reference to the management accounts.

Held to maturity investments

Fixed deposits	2,098,982	2,047,253	2,098,982	2,047,253
Jibar Linked Notes	141,981	104,291	141,981	104,291

Management believes that the carrying amounts of the above mentioned assest approximates fair value.

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior years.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2016 and 2015, as all the financial assets were disposed of at their redemption date.

Notes to the Consolidated Financial Statements

10. Operating lease asset (accrual)

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
Non-current assets	3,007	1,996	3,313	1,939
Current assets	116	116	142	134
Non-current liabilities	(62,972)	(73,490)	(62,954)	(73,337)
Current liabilities	(6,141)	(3,729)	(6,097)	(3,515)
Net operating lease accrual	**(65,990)**	**(75,107)**	**(65,596)**	**(74,779)**

The group has entered into operating leases for buildings. The operating leases (as the lessee) are straight-lined over the period of the lease contract. Refer to note 42 for the future minimum payments under non-cancelable operating leases.

11. Employee benefit obligation

	Group 2016	Group 2015	Company 2016	Company 2015
Post retirement benefits				
Retirement benefit asset	15,117	12,711	15,117	12,711
Present value - non-current liability	(1,246,652)	(1,320,578)	(1,246,178)	(1,320,070)
Present value - current liability	(150,202)	(131,243)	(150,144)	(131,202)
	(1,381,737)	**(1,439,110)**	**(1,381,205)**	**(1,438,561)**

Post Retirement benefit

Group 2016	**Post retirement telephone subsidy**	**Post- retirement medical aid subsidy**	**Provident Fund**	**Pension fund**	**Total**
Present value of obligation					
Balance at the beginning of the year	4,711	1,447,110	5,089	5,122,137	6,579,047
Service cost	-	-	-	3,909	3,909
Interest cost	377	115,769	378	409,771	526,295
Benefits paid	(463)	(137,576)	(2,608)	(491,499)	(632,146)
Transfers	-	-	-	216,679	216,679
Actuarial (gain)/ loss	(1,070)	(32,093)	(175)	(48,321)	(81,659)
Present value of obligation at end of the year	**3,555**	**1,393,210**	**2,684**	**5,212,676**	**6,612,125**
Present value of assets					
Balance at the beginning of the year	-	-	17,800	5,981,621	5,999,421
Expected return on assets	-	-	1,321	478,530	479,851
Contributions received	-	-	(2,608)	3,919	1,311
Transfers	-	-	-	216,679	216,679
Benefits paid	-	-	-	(491,499)	(491,499)
Actuarial gains / losses	-	-	1,287	(233,421)	(232,134)
Present value of assets at end of the year	**-**	**-**	**17,800**	**5,955,829**	**5,973,629**
Net present value (obligation) / asset					
Present value obligation	(3,555)	(1,393,210)	(2,684)	(5,212,676)	(6,612,125)
Present value assets	-	-	17,800	5,955,829	5,973,629
(Defit)/ surplus	(3,555)	(1,393,210)	15,116	743,153	(638,496)
Asset ceiling	-	-	-	(743,250)	(743,250)
Net present (obligation) / asset	**(3,555)**	**(1,393,210)**	**15,116**	**(97)**	**(1,381,746)**

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Group 2015	**Post retirement telephone subsidy**	**Post- retirement medical aid subsidy**	**Provident Fund**	**Pension fund**	**Total**
Present value of obligation					
Opening balance at beginning of the year	5,081	1,434,228	4,738	4,576,887	6,020,934
Service cost	-	-	-	7,107	7,107
Interest cost	419	116,593	352	373,313	490,677
Benefits Paid	(479)	(130,764)	-	(438,697)	(569,940)
Transfers	-	-	-	603,527	603,527
Actuarial gains / (Losses)	(310)	27,053	-	-	26,743
Present value of obligation at end of the year	**4,711**	**1,447,110**	**5,090**	**5,122,137**	**6,579,048**

					Total
Present value of assets					
Opening balance at the beginning of the year	-	-	16,570	5,586,068	5,602,638
Expected return on assets	-	-	1,230	446,885	448,115
Contribution received	-	-	-	7,107	7,107
Transfers	-	-	-	603,527	603,527
Benefits paid	-	-	-	(438,697)	(438,697)
Actuarial gains / (losses)	-	-	-	(223,269)	(223,269)
Present value of asset at end of the year	**-**	**-**	**17,800**	**5,981,621**	**5,999,421**

						Total
Net present value (obligation) / asset						
Present value obligation	-	(4,711)	(1,447,110)	(5,090)	(5,122,137)	(6,579,048)
Present value asset	-	-	-	17,800	5,981,621	5,999,421
(Deficit) / surplus	-	(4,711)	(1,447,110)	12,710	859,484	(579,627)
Asset ceiling	-	-	-	-	(859,484)	(859,484)
Net present (obligation) / asset	**-**	**(4,711)**	**(1,447,110)**	**12,710**	**-**	**(1,439,111)**

Company 2016	**Post retirement telephone subsidy**	**Post retirement medical subsidy**	**Provident fund**	**Retirement fund**	**Total**
Present value of obligation					
Balance at beginning of the year	4,711	1,446,561	5,089	5,122,137	6,578,498
Service cost	-	-	-	3,909	3,909
Interest cost	377	115,725	378	409,771	526,251
Benefits paid	(463)	(137,521)	(2,608)	(491,499)	(632,091)
Transfers	-	-	(175)	216,679	216,504
Actuarial (gains) losses	(1,070)	(31,998)	-	(48,321)	(81,389)
Present value of obligation at end of year	**3,555**	**1,392,767**	**2,684**	**5,212,676**	**6,611,682**

					Total
Present value of assets					
Balance at the beginning of the year	-	-	17,800	5,981,621	5,999,421
Expected return on asset	-	-	1,321	478,530	479,851
Contribution received	-	-	-	3,919	3,919
Transfers	-	-	-	216,679	216,679
Benefits paid	-	-	(2,608)	(491,499)	(494,107)
Actuarial gain / loss	-	-	1,287	(233,421)	(232,134)
Present value of asset at end of the year	**-**	**-**	**17,800**	**5,955,829**	**5,973,629**

						Total
Net present value (obligation) / asset						
Present value of obligation	-	(3,555)	(1,392,767)	(2,684)	(5,212,676)	(6,611,682)

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Present value of asset	-	-	-	17,800	5,955,829	5,973,629
(Deficit) / surplus	-	(3,555)	(1,392,767)	15,116	743,153	(638,053)
Asset ceiling	-	-	-	-	(743,153)	(743,153)
Net present (obligation) / asset	**-**	**(3,555)**	**(1,392,767)**	**15,116**	**-**	**(1,381,206)**

Company 2015		**Post retirement telephone subsidy**	**Post retirement medical subsidy**	**Provident fund**	**Retirement fund**	**Total**
Present value of obligation						
Balance at beginning of the year		5,081	1,433,645	4,738	4,576,887	6,020,351
Service cost		-	-	-	7,107	7,107
Interest cost		419	116,544	352	373,313	490,628
Benefits paid		(479)	(130,723)	-	(438,697)	(569,899)
Transfers		-	-	-	603,527	603,527
Actuarial (gains) / losses		(310)	27,095	-	-	26,785
Present value of obligation at end of the year		**4,711**	**1,446,561**	**5,090**	**5,122,137**	**6,578,499**
						Total
Present value of asset						
Balance at beginning of the year		-	-	16,570	5,586,068	5,602,638
Expected return on assets		-	-	1,230	446,885	448,115
Contribution received		-	-	-	7,107	7,107
Transfers		-	-	-	603,527	603,527
Benefits paid		-	-	-	(438,697)	(438,697)
Actuarial gain / loss		-	-	-	(223,269)	(223,269)
Present value of asset at end of the year		**-**	**-**	**17,800**	**5,981,621**	**5,999,421**
						Total
Net present value (obligation) / liability						
Present value of obligation	-	(4,711)	(1,446,561)	(5,090)	(5,122,137)	(6,578,499)
Present value of asset	-	-	-	17,800	5,981,621	5,999,421
(Deficit) / surplus	-	(4,711)	(1,446,561)	12,710	859,484	(579,078)
	-	-	-	-	(859,484)	(859,484)
Net present (obligation) / asset	**-**	**(4,711)**	**(1,446,561)**	**12,710**	**-**	**(1,438,562)**

Post retirement telephone subsidy				
The amounts receognised in profit and loss:				
Interest cost	419	377	419	377
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of post retirement telephone subsidy (actuarial (gains) / losses)				
Changes in assumptions	22	140	22	140
Experience adjustment	(332)	930	(332)	930
	109	**1,447**	**109**	**1,447**

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

The group has undertaken to pay the telephone accounts for certain retired employees and their surviving spouces until either the time of their death, that of their spouse or when they change their phone numbers or addresses. The group's net obligation in this regard is the amount of future benefits that the employees have earned in return for their service in the prior periods. Any unrecognised actuarial gains or losses and past service costs are recognised immediately. There are no plan assets for this liability and the employer funds this as the need for settlement arisest

	Group 2016	Group 2015	Company 2016	Company 2015
Actuarial Assumptions				
Discount rate	9.17%	8.00%	9.17%	8.00%
Long term price inflation	6.73%	6.25%	6.73%	6.25%
	-	-	-	-

	Group 2016	Group 2015	Company 2016	Company 2015
Post retirement medical subsidy				
The amounts recognised in profit and loss:				
Interest cost	115,769	116,593	115,729	116,544
The amounts recognised in other comprehensive income(OCI):				
Remeasurements of post retirement medical subsidy(actuarial(gains)/losses)				
Change in assumptions	29,358	27,053	29,322	27,095
Experience adjustment	2,735	-	2,622	-
	147,862	**143,646**	**147,673**	**143,639**

During the 2008/2009 financial period, R 456,800 million's worth of assets were transferred to the South African Post Office (SOC) Limited as a result of the Registrar for Medical Schemes' decision on 12 November 2008. The relevant assets are specifically and exclusively utilised for the future funding of the South African Post Office (SOC) Limited's Post Retirement Medical Aid (PRMA) liability and have consequently been ear-marked and invested according to a specific unique investment mandate. The current value of the PRMA asset is R 936,772 million (2015: R 924,433 million).

The company has negotiated with bargaining unit employees that employees retiring after 30 June 2005 will not receive PRMA benefits. This curtailment of benefits was accounted for during the 2005 period. In addition, spouses and dependants of employees who passed away whilst in the service of the South African Post Office (SOC) Limited after 2005 will also receive medical aid benefits as part of the Defined Benefit Plan.

	Group 2016	Group 2015	Company 2016	Company 2015
Actuarial Assumptions				
Discount rate	9.88%	8.00%	9.88%	8.00%
Medical inflation increase rate	8.86%	7.25%	8.86%	7.25%
Expected return on plan assets	9.88%	-%	9.88%	-%
Long term price inflation	7.36%	6.25%	7.36%	6.25%
	-	-	-	-

	Group 2016	Group 2015	Company 2016	Company 2015
Provident fund				
The amounts recognised in profit and loss:				
Net interest cost / (income)	(944)	(878)	(944)	(878)
The amounts recognised in other comprehensive income (OCI):				
Remeasurements of provident fund (actuarial (gains)/ losses)				
Change in assumptions	1,254	-	1,254	-
Experience adjustment	(141)	-	(141)	-
	169	**(878)**	**169**	**(878)**

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

The South African Post Office (SOC) Limited provident fund (the fund) was established on 1 August 1993 to hedge the leave liability beyond a specific threshold. The fund became dormant on 1 April 2004 when all leave entitlement and salaries were capped.

In terms of a surplus apportionment scheme conducted by the fund some years ago, an Employer Surplus Reserve was created within the ambit of the fund and in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956, as amended) for the benefit of the South African Post Office (SOC) Limited.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable. The assets held by the fund are registered in the name of the fund.

As per the rules of the fund, the South African Post Office (SOC) Limited is required to meet the balance of cost of financing the benefits provided by the fund, which would include the any fund deficit. At year end, the South African Post Office (SOC)

Limited met the balance of cost of financing the benefits provided by the fund. The Employer Surplus Reserve is available to fund future deficits should they arise

Actuarial Assumptions				
Discount rate	8.80 %	7.42 %	8.80 %	7.42 %
Expected return on plan assets	8.80 %	7.42 %	8.80 %	7.42 %
Long term price inflation	6.47 %	5.28 %	6.47 %	5.28 %
	-	-	-	-

Pension fund				
The amounts recognised in profit and loss:				
Service cost	3,909	7,107	3,909	7,107
Net interest income	(68,758)	(73,572)	(68,758)	(73,572)
Remeasurements of post retirement fund (actuarial (gains) / losses)				
Changes in assumptions	233,421	223,269	233,421	223,269
Experience adjustment	(48,321)	-	(48,321)	-
Remeasurement of asset				
Asset ceiling	743,153	859,484	743,153	859,484
	863,404	**1,016,288**	**863,404**	**1,016,288**

The South African Post Office (SOC) Limited retirement fund (the fund) previously known as the Post Office Pension Fund, was established on 1 October 1991 in terms of section 9(1) of the Post Office Act, 1958 (Act No.44 of 1958, as amended). The fund only allowed for defined benefit members until 30 November 2005 when it was converted into primarily a defined contribution scheme. It then became known as the South African Post Office (SOC) Limited retirement fund.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable.

The assets held by the fund are registered in the name of the fund which has as its objective the provision of retirement and ancillary benefits to all its beneficiaries, being pensioners and active members.

In terms of section 10A of the South African Post Office Act (Act No 44 of 1958, as amended), the financial obligations of the South African Post Office (SOC) Limited retirement fund in respect of its defined benefit members and pensioners are guaranteed by the South African Post Office (SOC) Limited whilst the Government of the Republic of South Africa in turn guarantees the obligations of the South African Post Office (SOC) Limited in this regard.

In terms of a recent actuarial capital adequacy analysis, the fund was fully funded and the actuary concluded that it was in a sound financial position.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
Actuarial assumptions				
Discount rate	10.03 %	8.00 %	10.03 %	8.00 %
Expected return on plan assets	10.03 %	8.00 %	10.03 %	8.00 %
Long term plan inflation	7.45 %	6.25 %	7.45 %	6.25 %
	-	-	-	-

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Sensitivity analysis - Post retirement telephone obligation

Discount rate analysis		Liability
	2016	
	R '000	
+ 1 %	-	3,368
Central	-	3,555
- 1 %	-	3,762

Sensitivity analysis - PRMA

Benefit inflation analysis		Liability
	2016	
	R '000	
+ 1 %	-	1,289,175
Central	-	1,392,768
- 1 %	-	1,514,831

Discount rate analysis	Liability
Provident Fund	2016
+ 1 %	2,659
Central	2,683
- 1 %	2,708

12. Deferred tax

Deferred tax liability

	Group 2016	Group 2015	Company 2016	Company 2015
Trade and other payables	-	(8)	-	-
Property, plant and equipment	-	(14)	-	-
Total deferred tax liability	**-**	**(22)**	**-**	**-**

Deferred tax asset

	Group 2016	Group 2015	Company 2016	Company 2015
Tax losses available for set off against future taxable income	-	(15)	-	-
Deferred tax liability	-	(22)	-	-
Deferred tax asset	-	(15)	-	-
Total net deferred tax (liability) asset	**-**	**(37)**	**-**	**-**

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(37)	556,279	-	554,597
Increases (decrease) in tax loss available for set off against future taxable income	15	(89,494)	-	(89,479)
Originating/(Reversing) temporary difference on income received in advance	-	(69,701)	-	(69,701)
Originating/(Reversing) temporary difference on employee benefits	-	(493,367)	-	(493,367)
Originating/(Reversing) temporary difference on provisions	-	(145,470)	-	(145,470)
Originating temporary differences on available for sale financial instruments	-	9,663	-	12,214
Taxable / (deductible) temporary difference Trade receivables	-	8,350	-	8,350
Originating/(Reversing) temporary difference on Financial instruments	-	78,934	-	78,934
Reversing/(Originating) temporary difference on trade and other payables	8	1,981	-	1,989
Reversing/(Originating) temporary difference on fixed assets	-	142,788	-	141,933
Deferred tax underprovision for prior years	14	-	-	-
	-	**(37)**	**-**	**-**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Unrecognised deferred tax asset

	Group 2016 R '000	Group 2015 R '000	Company 2016 R '000	Company 2015 R '000
Available for sale financial assets adjustments	(983)	(22)	(983)	(22)
Actuarial gains & losses on defined benefit plan	-	-	-	7,500
Defined benefit plan	124	7,654	390,970	398,856
Tax Loss	790,797	519,751	625,807	387,867
Employee related	90,392	102,479	87,189	98,779
Trade and other receivables	(268)	(1,192)	(275)	(1,198)
Income received in advance	19,762	8,109	19,438	6,457
Trade and other payables	(1,131)	(4,633)	275	(3,814)
Provisions	206,607	115,462	201,030	113,289
Property, Plant and equipment	(113,608)	(98,657)	(115,165)	(99,728)
Financial instruments	(119,647)	(98,344)	(119,647)	(98,344)
Deductible temporary difference not recognised as deferred tax liability, no expiry under current legislation	**872,045**	**550,607**	**1,088,639**	**809,642**

Use and sales rate

The deferred tax rate applied to the fair value adjustments of investment properties/ financial assets is determined by the expected manner of recovery. Where the expected recovery of the investment property/financial assets is through sale the capital gains tax rate of 22% (2015: 19%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2015: 28%) is applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

13. Prepayments

IT solutions paid in advance				
Services receivable within one year	16,138	27,351	16,138	27,351
Services receivable within two to five years	10,107	20,693	10,107	20,693
Total prepayments	**26,245**	**48,044**	**26,245**	**48,044**

14. Inventories

Merchandise	35,400	40,795	35,400	40,795
Consumables	29,309	40,430	29,241	40,327
Total inventories	64,709	81,225	64,641	81,122
Write-downs	(9,925)	(13,380)	(9,901)	(13,380)
Total inventories net of write-downs	**54,784**	**67,845**	**54,740**	**67,742**
Carrying value of inventories carried at fair value less costs to sell	54,784	67,845	54,740	67,742

Inventory pledged as security

No inventory has been pledged as security for liabilities.

15. Trade and other receivables

Trade receivables (net of impairment)	175,374	189,560	166,741	154,992
Employee costs in advance	1,553	2,802	1,492	2,676
Deposits	728	728	-	-
VAT	1,069	-	-	-
Interest accrued on short-term investments	1,544	13,551	1,484	13,477
International debtors (net of impairment)	176,891	129,716	176,891	116,206
Other receivables (net of impaiment)	52,820	8,186	47,102	5,987
Total trade and other receivables	**409,979**	**344,543**	**393,710**	**293,338**
Trade receivables (net of impairment) consists of:				
Trade receivables (gross)	333,117	275,363	295,268	220,227
Impairment	(157,743)	(85,803)	(128,527)	(65,235)
Trade receivables (net of impairment)	**175,374**	**189,560**	**166,741**	**154,992**
International debtors (net of impairment) consists of:				
International debtors (gross)	181,304	134,101	181,304	122,643
Impairment	(4,413)	(4,385)	(4,413)	(6,437)
International debtors (net of impairment)	**176,891**	**129,716**	**176,891**	**116,206**
Other receivables (net of impairment) consists of:				
Other receivables (gross)	83,652	17,571	86,824	11,974
Impairment	(30,832)	(9,385)	(39,722)	(5,987)
Other receivables (net of impairment)	**52,820**	**8,186**	**47,102**	**5,987**

Trade and other receivables pledged as security

No trade and other receivables have been pledged as security for liabilities.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Counterparties with external credit rating (Transunion ITC)				
Low	15,770	35,553	15,770	35,553
Medium	5,059	28,818	5,059	28,818
High	183,294	95,341	183,294	95,341
Total trade receivables with external credit ratings	**204,123**	**159,712**	**204,123**	**159,712**
Counterparties without external credit rating				
Group 1	-	2,602	-	195
Group 2	16,897	71,247	14,637	48,097
Group 3	112,096	41,802	76,508	12,223
Total trade receivables without credit ratings	**128,993**	**115,651**	**91,145**	**60,515**

Group 1 – new customer (less than 6 months).

Group 2 – existing customer (more than 6 months) with no defaults in the past.

Group 3 – existing customer (more than 6 months) with some defaults in the past. All defaults were fully recovered. Group 4 – related parties. Refer to note 44 for more details.

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of trade and other receivables

Trade receivables	312,020	261,106	295,268	220,227

Trade receivables are discounted at year end at the prime interest rate of 10.5% (2015: 9.25%) to bring them to their net present value. Trade receivables are shown net of impairment.

Long term related party receivables net of impairment have been reclassified to "Inter group loans and receivables". For more detail, refer to note 8.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 30 days past due are not considered to be impaired. At March 31, 2016, R 70,414 million (2015: R 142,680million) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 to 3 months past due	61,941	142,339	20,975	134,790
4 to 6 months past due	6,879	141	6,879	1,846
7 to 12 months past due	-	-	-	-
More than 1 year past due	1,594	200	1,594	200

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Trade and other receivables impaired

As of March 31, 2016, trade and other receivables of R 210,037 million (2015: R 77,983 million) were impaired and provided for.

The ageing of these receivables are as follows:

	Group 2016 R '000	Group 2015 R '000	Company 2016 R '000	Company 2015 R '000
Trade receivables				
Current to 3 months	15,344	16,827	15,344	17,275
4 to 6 months	113,128	45,334	113,128	38,574
International debtors				
More than 1 year	25,142	6,437	25,142	4,385
Other receivables				
More than 1 year	56,424	9,385	56,424	9,385

Reconciliation of provision for impairment of trade and other receivables

	Group 2016 R '000	Group 2015 R '000	Company 2016 R '000	Company 2015 R '000
Opening balance	(85,804)	(46,308)	(65,235)	39,589
Provision for impairment	(69,216)	(31,750)	(69,216)	30,088
Amounts written off as uncollectable	5,333	58	5,333	(58)
Unused amounts reversed	(23,472)	(7,804)	(14,825)	(134,854)
Total provision for impairment	**(173,159)**	**(85,804)**	**(143,943)**	**(65,235)**

The creation and release of the provision for impaired receivables have been included in operating expenses in profit or loss (note 33). Unwinding of discount is included in operating expenses in profit or loss (note 33). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above.

The company operates under various credit terms. Bulkmail is seven days from date of invoice, and the rest of the business operates on thirty days from statement date. The group's domestic trade receivables are R 175,146 million (2015: R 198,946 million) of which R 136,470 million (2015: R142,680 million) are older than 30 days.

At each reporting date, the group assesses whether there is any objective evidence that trade and other receivables should be impaired. Individual significant financial assets are tested for impairment. Group impairment losses for trade and other receivables amounting to R 667 thousand (2015: R 774 thousand) have been raised in profit and loss in the statement of comprehensive income, where there was objective evidenc,e that the group will not be able to collect all amounts due, in accordance with the original terms agreed upon. The impairment allowances are considered to be adequate for the group.

Included in trade and other receivables are international debtors. Debt in this category is held with individual countries and trade is governed by rules set up by the Universal Postal Union (UPU) currently situated in Switzerland. Services are divided into various product categories and each product has a unique payment term ranging from 12 months and onwards. The nature of the business allows countries to operate trade debtors and creditors accounts. Average payment terms per country on letters and expedited mail services are about 18 months. International trade receivables are R156,217 million (2015: R116,206 million) of which R 0 million (2015: R 0 million) is older than 18 months.

The South African Post Office (SOC) Limited and its subsidiary companies fall outside of the definition of a "Credit Provider" for purposes of registration with the National Credit Regulator. The South African Post Office (SOC) Limited and its subsidiary companies nevertheless have to comply with the National Credit Act where accounts are opened for Juristic persons such as Sole Proprietors and Trusts, where less than 3 trustees are appointed.

Trade receivables comprise a large number of customers, dispersed across different industries and geographical areas. The group uses an internal / external credit scoring system to assess all potential customers' creditworthiness. Customer's credit isassessed manually, using information derived from credit bureaus, financial accounting records, bank records and other sources, after which they are put through an internal grading system. Where appropriate, the necessary credit guarantees or deposits will be required before opening an account. Current guarantees on hand R206 million (2015: R 214 million). Accounts are opened for clients who

Notes to the Consolidated Financial Statements

are creditworthy and who accept the terms and conditions prescribed by The South African Post Office (SOC) Limited and its subsidiaries. Such accounts are assigned a credit limit. The account number, the terms as well as the credit limit is confirmed in writing to the customer. Assessments of accounts are done on a regular basis as outlined in the group procedure document. The frequency is determined by the nature of each business within the group.

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

16. Current tax asset

Current tax for the year consists of:

Current tax receivable	54	114	-	-
Current tax payable	(10)	(13)	-	-
Balance at the end of the year	**44**	**101**	**-**	**-**

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2,053,407	2,031,346	2,039,851	2,005,296
Short-term deposits	831,628	1,382,585	831,628	1,382,585
Bank overdraft	(229,413)	(78,729)	(229,413)	(78,729)
	2,655,622	**3,335,202**	**2,642,066**	**3,309,152**
Current assets	2,885,035	3,413,931	2,871,479	3,387,881
Current liabilities	(229,413)	(78,729)	(229,413)	(78,729)
	2,655,622	**3,335,202**	**2,642,066**	**3,309,152**

18. Share capital

Authorised				
1 000 000 000 Ordinary shares of R1each	1,000,000	1,000,000	1,000,000	1,000,000
Issued				
Ordinary shares of R1 each	693,116	200,940	693,116	200,940
Reconciliation of number of shares issued:				
Opening balance	200,940	200,940	200,940	200,940
Convention of the shareholders loan into ordinary shares of R1 each	205,000	-	205,000	-
(Postbank loan)				
Convention of shareholders loan (TBVC Loan)	287,176	-	287,176	-
	693,116	**200,940**	**693,116**	**200,940**

306,884,121 unissued ordinary shares. This authority remains in force until the next Annual General Meeting. During the current year, there was a new share issue of 492 176 058 ordinary shares from the convertible shareholder loan. The company is in the process of coverting the remaining shareholder loans to capital. Refer to note 20 for more detail.

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	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

19. Fair value adjustment on assets-available-for-sale reserve

Financial assets are classified as available-for-sale where the intention with regard to the instrument and its origination does not fall within the ambit of other financial asset classification.

Negotiable Certificates of Deposit (NCDs), Promissory Notes and the unlisted shares held in the cell captive Centriq Insurance Innovation (Pty) Ltd are classified as available for sale financial assets.

Available-for-sale financial assets are measured at fair value, with fair value gains and losses recognised directly in other comprehensive income as the available-for-sale equity revaluation reserve. Interest is calculated using the effective interest method. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available for sale reserve is included in profit or loss for the period.

NCDs and Promissory Notes are measured to fair value using quoted market prices. The net asset value model is used in the determination of the fair value of unlisted shares for which no reference can be made to quote market prices.

Quoted market prices	(4,010)	581	(4,010)	581
Unlisted shares	73,897	65,034	73,897	65,034
Total fair value adjustment	**69,887**	**65,615**	**69,887**	**65,615**

20. Convertible shareholder instruments

Capital reserves comprises equity where no share certificates are issued. The equity is transferred into share capital once shares of the company are issued.

During the 2013/2014 year, an amount of R 205 million was received from National Treasury for the corporatisation of Postbank. The company still needs to issue 205 million South African Post Office (SOC) Limited R 1 shares in exchange. These funds are included in Postbank's investment portfolio and are managed through Postbank's Asset and Liability Committee (ALCO) processes. The amount is interest free and has no fixed terms of repayment. There is no expectation to repay these funds which are viewed as being equity in nature.

As a result of the incorporation of the former TBVC states i.e. Transkei, Bophuthatswana, Venda and Ciskei post offices, a shareholder loan to the amount of R 287 million was received. The incorporation was done in accordance with the Post and Telecommunications Reorganisation Act which provided for the integration of the departments of Post and Telecommunications of the TBVC states with Telkom and the South African Post Office (SOC) Limited. The amount was previously classified as a financial liability at cost and carried interest at a rate of 8.5% per annum in terms of section 80 of the Public Finance Management Act and there were no fixed repayment terms for this liability. The company applied to the Department of Telecommunications and Postal Services for permission to convert this loan to share capital, which was granted during the 2013/2014 year and 287 million R 1 shares will be issued as compensation.

During the current year, R492 176 058 of the equity loan was converted into 492 176 058 ordinary shares.

Department of Telecommunications and Postal Services (Postbank)	379,000	205,000	379,000	205,000
Department of Telecommunications and Postal Services (TBVC)	287,176	287,176	287,176	287,176
Issued share capital	(492,176)	-	(492,176)	-
Total convertible shareholder instruments	**174,000**	**492,176**	**174,000**	**492,176**

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	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

21. Provisions

Reconciliation of provisions - Group - 2016

	Opening balance	Additions / change in estimate	Utilised during the year	(Reversed) / transferred during the year	Closing balance
	R '000	R '000	R '000	R '000	R '000
Bonus	60,808	9,295	(6,189)	(9,297)	54,617
General provision	174,712	589,175	(292,591)	(101,370)	369,926
Leave pay	226,698	31,591	(23,161)	(25,389)	209,739
Legal proceedings	5,847	-	(2,847)	-	3,000
Long service cash awards	46,334	7,116	(12,014)	1,198	42,634
Long service leave awards	18,077	2,829	(3,917)	(1,151)	15,838
Site restoration	218,856	11,763	-	(43,125)	187,494
Total provisions	**751,332**	**651,769**	**(340,719)**	**(179,134)**	**883,248**

Reconciliation of provisions - Group - 2015

	Opening balance	Additions / change in estimate	Utilised during the year	Reversed during the year	Unwinding discount factor	Closing balance
	R '000		R '000		R '000	R '000
		R '000				
Bonus	69,155	27,877	(22,143)	(14,081)	-	60,808
General provision	183,547	160,727	(28,279)	(141,283)	-	174,712
Leave pay	207,236	197,917	(178,455)	-	-	226,698
Legal proceedings	-	4,190	(58,390)	60,047	-	5,847
Long service cash awards	44,747	10,143	(8,556)	-	-	46,334
Long service leave awards	12,257	7,424	(1,604)	-	-	18,077
Site restoration	265,986	30,264	(1,239)	(48,244)	(27,911)	218,856
Total provisions	**782,928**	**438,542**	**(298,666)**	**(143,561)**	**(27,911)**	**751,332**

Reconciliation of provisions - Company - 2016

	Opening balance	Additions/ change in estimate	Utilised during the year	(Reversed) / transferred during the year	Closing balance
	R '000		R '000	R '000	
		R '000			
Bonus	56,593	R '0004,070	(4,606)	(3,327)	52,730
General provision	172,333	581,820	(23,831)	(370,141)	360,181
Leave pay	218,245	17,458	(10,864)	(24,290)	200,549
Legal proceedings	5,847	2,000	(4,847)	-	3,000
Long service cash awards	45,788	7,028	(11,736)	1,191	42,271
Long service leave awards	18,077	2,829	(3,917)	(1,151)	15,838
Site restoration	216,385	11,630	-	(43,125)	184,890
Total provisions	**733,268**	**626,835**	**(59,801)**	**(440,843)**	**859,459**

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Reconciliation of provisions - Company - 2015

	Opening balance R '000	Additions/ change in estimate R '000	Utilised during the year R '000	Reversed during the year	Unwinding discount factor R '000	Closing balance R '000
Bonus	68,991	14,490	(12,807)	(14,081)	-	56,593
General provision	180,685	146,666	(13,756)	(141,262)	-	172,333
Leave pay	197,786	132,534	(112,075)	-	-	218,245
Legal proceedings	-	4,190	(58,390)	60,047	-	5,847
Long service cash awards	44,266	9,978	(8,456)	-	-	45,788
Long service leave awards	12,257	7,424	(1,604)	-	-	18,077
Site restoration	263,659	30,120	(1,239)	(48,244)	(27,911)	216,385
Total provisions	**767,644**	**345,402**	**(208,327)**	**(143,540)**	**(27,911)**	**733,268**

Non-current liabilities	326,546	280,543	319,232	275,838
Current liabilities	556,702	470,789	540,227	457,430
Total provisions	**883,248**	**751,332**	**859,459**	**733,268**

General provision

The provision relates to various items such as the provisions for interest and penalties and VAT and other similar obligations.

Leave obligation

Employees are entitled to 22 days leave per annum. Provided that a staff member has taken at least 15 days in a period the remaining leave may be carried over into future years. Any leave balance remaining when an employee leaves the service of the South African Post Office (SOC) Limited for whatever reason (e.g. resignation, death, retirement) is encashed at that time.

Capped leave

In addition to their "normal" current accrued leave some staff members also have an amount of "capped" leave. During 2001 and 2002 the South African Post Office (SOC) Limited negotiated with staff in different categories that leave accrued up till that date would in future only be encashed at the salary as at that time. This leave can be taken as leave or encashed, but only after all other accrued leave has been taken. Any remaining balance will be paid out as cash when the employee leaves the service of the South African Post Office (SOC) Limited.

Given these rules, the South African Post Office (SOC) Limited recognises that the balances in both the "capped" leave and "normal" accrued leave will not be settled in the 12 months following the date of calculation, and therefore some form of calculation is required. In performing these calculations, has been applied an assumption that 50% of the balance standing in the "normal" accrued leave will be taken as leave in the next 12 months. The remainder of the "normal" and the balance in the "capped" leave will be paid out in cash when the employee leaves the service of the South African Post Office (SOC) Limited by death, resignation or retirement. In the case of the "accrued" leave, this will be based on the salary applicable at that date, and in the case of the "capped" leave, based on the current fixed rate.

A restricted number of employees are members of the leave provident fund. This provident fund provides for leave in excess of 60 days at a specific point in time. No additional employees may become members of this fund. Leave in this fund can only be en-cashed when the employee retires or resigns and cannot be utilised as leave. As provident fund assets are sufficient this leave is not accrued by the company.

Long service leave awards

The group has a policy of increasing leave days due to employees reaching ten years within the South African Post Office (SOC) Limited's employment. The increase in leave days is from 22 to 24 days in the employee's tenth period only. Any unrecognised actuarial gains or losses and past service costs are recognised immediately.

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	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Long service cash awards

The group has a once off cash award policies in respect of long service. The group has valued this benefit in the current period, and shall be valuing the benefit annually. Any unrecognised actuarial gains or losses and past service costs are recognised immediately.

Site restoration

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

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

The Universal Service Obligations (USO) obliges the South African Post Office (SOC) Limited to expand its presence in South Africa (SA), especially in rural SA. This means that the South African Post Office (SOC) Limited would most probably not reduce the number of leasehold premises, but instead expand its presence to more buildings. The type of leasehold premises has been taken into account in arriving at a conclusion regarding possible restoration. A vacant stand with a Mail Collection Point (MCP) would probably not require restoration should they ever wish to relocate. The South African Post Office (SOC) Limited may not wish to relocate from shopping centres and malls. In the event that it does relocate the terms of the lease and the nature of its business are such that restoration of the premises would not be required. The date that the South African Post Office (SOC) Limited originally occupied the leasehold premises is also an indication of the chances of ever moving out of the premises, thus negating the liability to restore such leasehold premises. During the year, the South African Post Office (SOC) Limited relocated from 31 (2015: 7) leasehold premises of which 6 (2015: 6) of the lessors required restoration, thus further supporting the expectation that relocation and thus restoration would not occur in most instances.

22. Trade and other payables

Trade payables	524,842	372,935	491,741	366,550
Accrued expenses	404,128	415,960	377,802	362,480
International trade payables	175,858	126,907	175,858	126,907
Deposits received	143,605	134,366	141,694	132,847
Employee benefit payments	159,644	193,999	158,322	189,979
Other payables	78,432	149,184	78,068	126,074
VAT	210	8,023	-	5,266
Total trade and other payables	**1,486,719**	**1,401,374**	**1,423,485**	**1,310,103**
Fair value of trade and other payables				
Trade payables	1,486,720	1,401,373	1,423,484	1,310,103

Trade payables are discounted at interim and year end at the prime interest rate of 10.5% (2015: 9.25%) to bring them to their net present value.

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	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

23. Other financial liabilities

Held at amortised cost				
Term loan	1,008,246	-	1,008,246	-
The loans are secured by government guarantee, bears interest at JIBAR linked rate payable monthly and quarterely. The Capital Amount is repayable on maturity with a renewal option.				
	-	-	-	-
	1,008,246	-	1,008,246	-
Current liabilities				
At amortised cost (Accrued interest)	1,008,246	-	1,008,246	-
	-	-	-	-
	1,008,246	-	1,008,246	-

The carrying amounts of financial liabilities at amortised cost are denominate in the following currencies:

Rand	1,008,246	-	1,008,246	-

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

24. Government grants

The Government provided the company with a subsidy to cover a portion of its operating expenditure and to fund specific projects. The balances and transactions are summarised as below

Subsidies received				
Current period	56,888	43,860	56,888	43,860
Roll over from prior period	-	69,775	-	69,775
Less: expenditure acknowledged				
Universal Service Obligation	(56,888)	(69,775)	(56,888)	(69,775)
Financial support for costs	-	(43,860)	-	(43,860)
Total subsidy unutilised	**-**	**-**	**-**	**-**

The Department of Telecommunications and Postal Services provided the company with a subsidy specifically for the Public Information Terminals and Citizens Post Offices during the past. However, no funding has been received for the last three financial years. The balances and transactions are summarised as below:

Subsidies received				
Roll over from prior period	-	15,530	-	15,530
Less: Expenditure acknowledged				
Unviversal Service Obligation	-	(15,530)	-	(15,530)
Total subsidy unutilised	**-**	**-**	**-**	**-**

Notes to the Consolidated Financial Statements

25. Deferred income

Deferred income consists of the following:

	Group		Company	
	2016 R '000	2015 R '000	2016 R '000	2015 R '000
Bulk mail, parcels and registered letters revenue	40,960	34,664	40,960	34,664
Franking mail revenue	4,869	6,031	4,869	6,031
Box revenue	189,102	203,614	189,102	203,614
Stamp and envelope revenue	7,269	8,909	7,269	8,909
Speed services revenue	452	867	452	867
International revenue	630	391	630	391
Electronic Bill Presentment and Payments revenue (EBPP)	7,522	4,854	7,522	4,854
XPS freight	219	707	-	-
PX containers	103	136	-	-
Subscription fees	7,509	8,824	-	-
Total deferred income	**258,635**	**268,997**	**250,804**	**259,330**

Relating to South African Post Office (SOC) Limited (company):

Bulk mail, parcels and registered letters revenue

The deferred revenue calculation is based on the mail delivery performance statistics for March 2016. Revenue is recognised by reference to stage of completion at the reporting period. Revenue received in the last eight days prior to year end is deferred based on the progress of delivery.

Franking mail revenue

The deferred revenue calculation is based on the assumption that eight (8) working days revenue is unearned. This period is formulated on a combination of the delivery standards and the holding time of customers after purchase.

Box revenue

The renewal cycle for the rental of the boxes is a calendar year from 1 January to 31 December however; the financial year for the Post Office is 1 April to 31 March. This means that only the revenue for three (3) months of the renewal cycle is earned for that financial year and the remaining nine (9) months of the renewal cycle is regarded as deferred revenue.

Stamp and envelope revenue

The deferred revenue calculation is based on the assumption that ten working days revenue is unearned. This period is formulated on a combination of the delivery standards and the holding time of customers after purchase.

Speed services revenue

- Domestic items:

The delivery period for parcels is overnight and for parcels mailed on the 31 of March a 40% is assigned based on the premise that the delivery of the parcel is the following day, 1 of April.

- International items:

80% of the revenue generated on the 31 March is deferred to the new financial year. This is due to the fact that the parcels must be delivered overnight and thus the majority of the parcels are only delivered on 1 April.

International revenue

The mail delivery standards are applied for the different categories on a weighted average basis. The last seven days sales were extracted and the mail delivery performance statistics were used to calculate the revenue to be deferred for those days.

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	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Electronic Bill Presentment and Payments (EBPP) revenue

The deferred revenue is for advanced payments received for services that still needs to be rendered.

Relating to The Courier and Freight Group (Pty) Ltd:

XPS freight

Deferred revenue is calculated by determining the stage of completion at the reporting period. The stage of completion of delivery at year end, which is determined by dividing the number of days that have elapsed since the items have been accepted by the total number of days it takes to complete the delivery of an item.

PX containers

Deferred revenue is calculated by determining the stage of completion at the reporting period. The stage of completion of delivery at year end, which is determined by dividing the number of days that have elapsed since the items have been accepted by the total number of days it takes to complete the delivery of an item.

Relating to The Document Exchange (Pty) Ltd: Subscription fees

Annual subscription fees are paid for a twelve (12) month period. In cases where the membership overlaps between two financial years, the portion of the amount attributable to the subsequent financial year is deferred

26. Deposits from the public

Term deposits	134,705	156,336	134,705	156,336
Transactional and savings accounts	4,685,307	4,681,704	4,685,307	4,681,704
Total deposits from the public	**4,820,012**	**4,838,040**	**4,820,012**	**4,838,040**

Deposit products include transactional accounts, savings accounts and term deposits. Transactional and savings accounts are all overnight deposits which are all payable on demand. Term deposits vary from one month to five years. All amounts owed to the depositors are classified as financial liabilities at cost. Interest payable on both transactional and deposit accounts are capitalised monthly. All account holders are individuals within the Republic of South Africa.

Interest paid on overnight deposit accounts is fixed and varies from 0.00% to 2.80% per annum (2015: 0.00% to 2.80%) depending on the account balance. Term deposits attract interest that varies from 3.75% to 5.65% per annum (2015: 3.75% to 5.65%) and all rates are linked to prime rate.

Deposits from the public are fully covered by investments and other financial assets as well as cash and cash equivalents, and these amounts are included in the total balances reflected in notes 9 and 17.

27. Funds collected on behalf of third parties

Agency services and collections	81,208	100,745	81,208	100,744
Money and postal orders	24,684	15,084	24,684	15,084
Total funds collected on behalf of third parties	**105,892**	**115,829**	**105,892**	**115,828**

Funds collected from the customers of the group third party clients are paid into their bank accounts within 24 hours following the collection at Post Office outlets. In terms of service level agreements with the clients, no interest will be paid to clients for the 24 hour period before the money collected is paid into the client's respective accounts. Money and postal orders are unclaimed obligations that are payable on demand.

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	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

28. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2016

	Loans and receivables R '000	Fair value through profit or loss - held for trading R '000	Held to maturity investments R '000	Available-for-sale R '000	Closing balance R '000
Cash and bank balances	-	2,885,034	-	-	2,885,034
Other financial assets	-	936,772	2,240,962	2,303,838	5,481,572
Trade and other receivables	409,979	-	-	-	409,979
Total financial assets	**409,979**	**3,821,806**	**2,240,962**	**2,303,838**	**8,776,585**

Group - 2015

	Loans and receivables R '000	Fair value through profit or loss - held for trading R '000	Held to maturity investments R '000	Available-for-sale R '000	Closing balance R '000
Cash and bank balances	-	3,413,931	-	-	3,413,931
Other financial assets	-	924,433	2,151,544	1,410,430	4,486,407
Trade and other receivables	344,543	-	-	-	344,543
Total financial assets	**344,543**	**4,338,364**	**2,151,544**	**1,410,430**	**8,244,881**

Company - 2016

	Loans and receivables R '000	Fair value through profit or loss - held for trading R '000	Held to maturity investments R '000	Available-for-sale R '000	Closing balance R '000
Cash and bank balances	-	2,871,479	-	-	2,871,479
Other financial assets	-	936,772	2,240,962	2,303,838	5,481,572
Loans to group companies	538	-	-	-	538
Trade and other receivables	393,710	-	-	-	393,710
Total financial assets	**394,248**	**3,808,251**	**2,240,962**	**2,303,838**	**8,747,299**

Company - 2015

	Loans and receivables R '000	Fair value through profit or loss - held for trading R '000	Held to maturity investments R '000	Available-for-sale R '000	Closing balance R '000
Cash and bank balances	-	3,387,881	-	-	3,387,881
Other financial assets	-	924,433	2,151,544	1,410,430	4,486,407
Trade and other receivables	293,338	-	-	-	293,338
Total financial assets	**293,338**	**4,312,314**	**2,151,544**	**1,410,430**	**8,167,626**

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

29. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2016

	Financial liabilities at amortised cost R '000	Closing balance R '000
Bank overdraft	229,413	229,413
Deposits from the public	4,820,012	4,820,012
Funds collected on behalf of third parties	105,892	105,892
Other financial liabilities	1,008,246	1,008,246
Trade and other payables	1,454,143	1,454,143
Total financial liabilities	**7,617,706**	**7,617,706**

Group - 2015

	Financial liabilities at amortised cost R '000	Closing balance R '000
Bank overdraft	78,729	78,729
Deposits from the public	4,838,040	4,838,040
Funds collected on behalf of third parties	115,828	115,828
Trade and other payables	1,401,374	1,401,374
Total financial liabilities	**6,433,971**	**6,433,971**

Company - 2016

	Financial liabilities at amortised cost R '000	Closing balance R '000
Bank overdraft	229,413	229,413
Deposits from the public	4,820,012	4,820,012
Funds collected on behalf of third parties	105,892	105,892
Other financial liabilities	1,008	1,008
Trade and other payables	1,390,909	1,390,909
Total financial liabilities	**6,547,234**	**6,547,234**

Company - 2015

	Financial liabilities at amortised cost R '000	Closing balance R '000
Bank overdraft	78,729	78,729
Deposits from the public	4,838,040	4,838,040
Funds collected on behalf of third parties	115,828	115,828
Trade and other payables	1,310,103	1,310,103
Total financial liabilities	**6,342,700**	**6,342,700**

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000

30. Revenue

Postbank service charges	216,588	265,568	216,588	265,568
Postbank interest revenue	380,827	340,658	380,827	340,658
Retail products	22,388	47,799	22,388	47,799
Services rendered - Postal	3,378,175	3,584,299	3,342,611	3,549,436
Services rendered - Agency and money transfer	454,896	417,833	454,896	417,833
Services rendered - Courier	226,418	464,099	122,189	180,387
Total revenue	**4,679,292**	**5,120,256**	**4,539,499**	**4,801,681**

Revenue comprises income from services provided and the sale of retail products, excluding VAT, rebates, and discounts as well as Postbank finance income, excluding VAT.

These services include work performed as an agent for certain Government departments, other authorities and businesses. Refer to note 44 for more information.

31. Other income

Commissions received	1,889	1,838	1,889	1,838
Fees earned	342	11,493	342	11,493
Other income	19,181	14,011	13,613	12,422
Recoveries	64,126	132,496	110,925	187,081
Rental income	50,973	38,109	49,158	36,963
Sundry income	3,496	13,688	3,495	13,675
Total other income	**140,007**	**211,635**	**179,422**	**263,472**

The Foreign exchange differences of R929 thousand were excluded.

32. Depreciation, amortisation and impairments

The following items are included within depreciation, amortisation and impairments:

Depreciation				
Property, plant and equipment	129,065	125,172	126,482	122,904
Investment property	3,264	401	3,227	364
Total depreciation	**132,329**	**125,573**	**129,709**	**123,268**
Amortisation				
Intangible assets	32,864	23,309	32,821	22,787

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000
Impairments				
Investments in subsidiaries	605	-	605	11,860
Inter company loans and long term receivables	744	-	-	77,996
Inventories	1,261	(1,629)	1,262	(1,629)
Trade and other receivables	(668)	774	85,340	896
Total impairments	**1,942**	**(855)**	**87,207**	**89,123**
Total depreciation, amortisation and impairments				
Depreciation	132,329	125,573	129,709	123,268
Amortisation	32,864	23,309	32,821	22,787
Impairments	1,942	(855)	87,207	89,123
Total depreciation, amortisation and impairments	**167,135**	**148,027**	**249,737**	**235,178**

33. Operating loss

Operating loss for the year is stated after accounting for the following:

Operating lease charges				
Premises				
• Contractual amounts	350,394	354,579	335,455	337,772
Motor vehicles				
• Contractual amounts	100,309	121,559	92,553	108,640
Equipment				
• Contractual amounts	13,239	16,070	13,211	16,022
	463,942	**492,208**	**441,219**	**462,434**
Impairment (reversal) of investments in subsidiaries	605	-	605	11,860
Impairment on loans to group companies	744	-	-	77,996
Impairments (reversals) of trade and other receivables	(668)	774	85,340	896
(Profit) loss on exchange differences	929	726	929	726
Amortisation on intangible assets	32,864	23,309	32,821	22,787
Depreciation on property, plant and equipment	129,065	125,172	126,482	122,904
Depreciation on investment property	3,264	401	3,227	364
Employee costs	3,481,673	3,750,725	3,340,633	3,587,559
Research and development costs	(584)	905	(584)	905
Transport cost	393,511	562,112	334,758	405,431

34. Finance income

Dividend revenue				
Unlisted financial assets - Local	6,170	21,776	6,166	41,744
Interest revenue				
Available-for-sale	2,004	-	2,004	-
Held-to-maturity	589,398	552,299	590,436	552,271
Trade and other payables discounting	(12,292)	31,386	(14,388)	29,139
Total interest revenue	**579,110**	**583,685**	**578,052**	**581,410**
	6,170	21,776	6,166	41,744
	579,110	583,685	578,052	581,410
Total finance income	**585,280**	**605,461**	**584,218**	**623,154**

Interest income on impaired financial assets amounted to R - millio n (2015: R - million million).

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000

35. Fair value adjustments

Other financial assets	14,745	91,330	14,745	91,330

The fair value gains and losses recognised in other financial assets are derived from financial assets subsequently measured at fair value through profit or loss and relate to the Post Retirement Medical Aid Asset as well as the Provident Fund Asset. Refer to note 11 for more detail.

36. Finance charge

Actuarial valuations	548,894	502,977	548,146	502,602
Term loan interest	49,240	1,259	49,240	1,259
Interest paid other	22,144	17,472	21,727	17,458
Postbank interest paid	67,711	55,229	67,711	55,229
Trade and other receivables discounting	14,603	(6,519)	14,603	(6,519)
Total interest paid	**702,592**	**570,418**	**701,427**	**570,029**

37. Taxation

Major components of the tax expense (income)

Current				
Local income tax - current period	106	125	-	-
Deferred				
Originating and reversing temporary differences	(128)	559,242	-	557,521
Derecognition of deferred tax asset that is no longer probable to be utilised	106	-	-	-
Prior period adjustment	(14)	-	-	-
	(36)	**559,242**	**-**	**557,521**
Current	106		125	-
Deferred	(36)	559,242	-	557,521
	70	**559,367**	**-**	**557,521**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %	28.00 %	28.00 %
Exempt income	(16.06)%	23.77 %	18.00 %	16.21 %
Net deffered tax asset not raised	(80.60)%	(3.49)%	(30.36)%	(15.18)%
Increase in tax rate	2.06 %	- %	2.33 %	- %
Disallowable charges	7.05 %	(27.24)%	(12.54)%	(19.42)%
Subject to tax at reduced rate	- %	0.50 %	- %	- %
Recognised in equity	0.83 %	(0.03)%	0.94 %	- %
	(58.72)%	**21.51 %**	**6.37 %**	**9.61 %**
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.	821,083	550,608	1,037,679	809,642

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000

38. Other comprehensive income

Components of other comprehensive income - Group - 2016

	Gross	Tax	Net
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability			
Actuarial losses arising during the year	(141,086)	-	(141,086)
Asset Ceiling	116,331	-	116,331
	(24,755)	**-**	**(24,755)**
Items that may be reclassified to profit or loss			
Available-for-sale financial assets adjustments			
Gains arising during the year	4,272	-	4,272
	-	-	-
	21,239	-	-

Components of other comprehensive income - Group - 2015

	Gross	Tax	Net
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability			
Actuarial losses arising during the year	(250,012)	(8,666)	(258,678)
Asset ceiling	149,697	-	149,697
	(100,315)	**(8,666)**	**(108,981)**
	(100,315)	(8,666)	-
	-	-	-
Items that may be reclassified to profit or loss			
Available-for-sale financial assets adjustments			
Gains arising during the year	12,185	-	12,185
	-	-	-
	12,185	-	-
	-	-	-
	(100,315)	(8,666)	-
	12,185	-	-
Total other comprehensive income	**(88,130)**	**(8,666)**	**(96,796)**

Components of other comprehensive income - Company - 2016

	Gross	Tax	Net
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability			
Actuarial losses arising during the year	(141,842)	-	(141,842)
Asset ceiling	116,331	-	116,331
	(25,511)	**-**	**(25,511)**

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000
Items that may be reclassified to profit or loss				
Available-for-sale financial assets adjustments				
Gains arising during the year	4,272	-	4,272	
	21,239	-	-	
	-	-	-	

Components of other comprehensive income - Company - 2015

	Gross	Tax	Net
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability			
Actuarial losses for the year	(250,054)	(8,666)	(258,720)
Asset ceiling	149,697	-	149,697
	(100,357)	**(8,666)**	**(109,023)**
	(100,357)	(8,666)	-
	-	-	-
Items that may be reclassified to profit or loss			
Available-for-sale financial assets adjustments			
Gains arising during the year	12,185	-	12,185
	-	-	-
	12,185	-	-
	(100,357)	(8,666)	-
	12,185	-	-
Total other comprehensive income	**(88,172)**	**(8,666)**	**(96,838)**

39. Auditors' remuneration

Fees	28,884	26,965	26,759	25,760

Notes to the Consolidated Financial Statements

40. Cash used in operations

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000
Loss before taxation	(1,114,707)	(862,097)	(1,082,075)	(836,622)
Adjustments for:				
Depreciation and amortisation	165,193	148,882	162,530	146,055
Dividends received	(6,170)	(21,776)	(6,166)	(41,744)
Interest income	(579,110)	(583,685)	(578,052)	(581,410)
Interest expense	702,592	570,418	701,427	570,029
Fair value adjustments	(14,745)	(91,330)	(14,745)	(91,330)
Impairment loss (reversal)	1,942	(855)	87,207	89,123
Movements in operating lease assets and accruals	(1,011)	(208)	(1,382)	(245)
Movements in retirement benefit liabilities	(57,463)	12,512	(57,356)	12,546
Movements in provisions	131,916	(31,596)	126,191	(34,376)
Impairment of debtors	62,600	21,609	61,423	19,865
Movement in deffered tax	(1,333)	(2,650)	-	(2,924)
Non cash movement on reserves	174,001	-	174,001	-
Prior period adjustment taken to accumulated loss	(10,152)	(108,996)	(16,767)	(100,357)
Non cash movement on available for sale assets	(3,206)	12,185	(3,206)	12,185
Non cash movements on assets	23,644	10,355	23,475	9,504
Non cash item - Income tax realting to items that may be reclassified	-	-	-	(8,666)
Impairment of subsidiaries	-	-	-	11,860
Changes in working capital:				
Inventories	11,800	11,173	13,002	11,012
Trade and other receivables	(127,368)	167,543	(247,135)	177,855
Prepayments	21,799	15,676	21,799	15,676
Trade and other payables	85,345	606,706	112,119	586,528
Deferred income	(10,362)	(15,851)	(8,526)	(13,811)
Deposits from the public	(18,028)	100,430	(18,028)	100,430
Unspent Grants	-	(85,305)	-	(85,305)
	(562,823)	**(126,860)**	**(550,264)**	**(34,122)**

41. Tax (paid) refunded

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
Balance at the beginning of the year	(194)	(114)	-	-
Current tax for the year recognised in profit or loss	105	(125)	-	-
Interest accrued from payable to SARS	56	45	-	-
Balance at the end of the year	(32)	(194)	-	-
Tax (paid) refunded	**(65)**	**(388)**	**-**	**-**

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000

42. Commitments

Authorised capital expenditure

Capital expenditure authorised by the board of directors at reporting date, but not yet recognised in the financial statements are as follows:

Already contracted for:

• Property, plant and equipment	21,915	49,421	21,915	49,421
• Intangible assets	75,113	91,888	75,113	91,888
Total	97,029	141,309	97,029	141,309

This committed expenditure will be financed by existing cash resources. Capital commitments treatment

Capital commitments are disclosed in respect of contracted amounts for which delivery is outstanding at the accounting date.

Capital Commitments represent goods or services that have been ordered, but no delivery has taken place at the reporting date. These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of comprehensive income, but are however disclosed as part of the disclosure notes. Management expects these capital commitments to be financed from internally generated cash and other borrowings.

Operating leases – as lessee (expense)

Minimum lease payments due - Buildings				
- within one year	132,732	174,031	131,132	164,311
- in second to fifth year inclusive	424,098	528,263	425,609	520,162
- later than five years	54,199	57,111	54,199	57,111
Total minimum lease payments due	**611,029**	**759,405**	**610,940**	**741,584**

None of the lease agreements contain any contingent rent clauses and it is assumed that there are no contingent rent payments. It is also assumed that there are no restrictions that would impose additional debts that are not covered in the minimum contract terms. Rental payments are based on a rate per square meter relating to the prevalent market rate at the inception of the contract. Escalation clauses vary from contract to contract averaging at 8.00% (2015: 8.00%). Contract renewal options are assumed to be exercised by the company, unless decided otherwise by management.

Minimum lease payments due - Vehicles				
- within one year	25,762	59,881	25,524	58,269
- in second to fifth year inclusive	995	18,424	995	17,404
Total minimum lease payments due	**26,757**	**78,305**	**26,519**	**75,673**

The group leases vehicles from Avis Fleet Services and Fleet Africa under Full Maintenance Lease (FML) agreements. The lease period ranges from two to five years at an interest rate of prime less 2.00% to prime plus 2.25% (2015: prime less 2.00% to prime plus 2.25%). The vehicles are being utilised for the delivery of parcels and mail.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000
Operating leases – as lessor (income)				
Minimum lease payments due - Buildings				
- within one year	11,513	11,543	11,769	9,180
- in second to fifth year inclusive	31,073	29,134	33,042	26,923
- later than five years	11,060	453	6,009	453
Total minimum lease payments due	**53,646**	**41,130**	**50,820**	**36,556**

Rental income has been based on a rate per square meter relating to the prevalent market rate at the inception of each contract. Escalation clauses vary from contract to contract with an average of 7.00% (2015: 7.00%). Lease agreements are entered into for a minimum of two years to a maximum of three year period. Contract renewal option period is assumed to be exercised by the company, unless decided otherwise by management. None of the lease agreements contain any contingent rent clauses.

Minimum lease payments due - Vehicles				
- within one year	237	3,959	-	3,959
- in second to fifth year inclusive	-	2,640	-	2,640
Total minimum lease payments due	**237**	**6,599**	**-**	**6,599**

Vehicles are leased to the Courier and Freight Group (Pty) Ltd on a month to month basis (2015: period of 36 months) at amounts of R 392 939 per month with an interest cost of prime plus 1.00%.

43. Contingencies

The following contingent liabilities were identified:

Bank guarantees	8,325	8,341	8,325	6,264
Guarantees in respect of employee housing loans	1,330	1,371	1,330	1,371
Service providers	73,249	104,377	44,466	102,142
Total contingencies	**82,904**	**114,089**	**54,121**	**109,777**

In the lawsuit of NASASA versus the South African Post Office SOC Ltd (SAPO) the parties have purportedly signed a settlement agreement for SAPO to pay R 50 million to NASASA. SAPO was compelled to pay this amount into the bank account of the Deputy Sheriff of the Court. Despite this SAPO is challenging the validity and legal enforceability of the settlement agreement in the High Court.

44. Related parties

Relationships	
Ultimate holding company	The South African Government
Holding company	The South African Post Office (SOC) Limited
Subsidiaries	Refer to note 7
Members of key management	Refer to note 45
Shareholder with significant influence	The Department of Telecommunications and Postal Services
	National Treasury
Post employment benefit plan for employees	Old Mutual Corporate Limited
Administrator and directors' interest in contracts:	People Perfect (Pty) Ltd of Dr. S Lushaba
	T-Systems South Africa (Pty) Ltd of Ms. G Simelane

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000

All related party transactions below have been made at arm's length.

Related party balances

Loans and long term receivables - Owing by related parties				
Sapos Properties (Bloemfontein) (Pty) Ltd	-	-	474	442
Sapos Properties (Cape Town) (Pty) Ltd	-	-	1,670	1,576
Sapos Properties (East Rand) (Pty) Ltd	-	-	3,091	3,024
Sapos Properties (Port Elizabeth) (Pty) Ltd	-	-	202	475
Sapos Properties (Rossburgh) (Pty) Ltd	-	-	4,065	3,704
The Courier and Freight Group (Pty) Ltd	-	-	631,908	549,245
The Document Exchange (Pty) Ltd	-	-	537	228
Amounts included in trade receivables regarding related parties				
Centriq Insurance Innovation (Pty) Ltd	677	79	677	79
Telkom SA Limited	3,356	3,087	3,356	3,050
The Document Exchange (Pty) Ltd	-	-	537	221
Amounts included in trade payables regarding related parties				
Centriq Insurance Innovation (Pty) Ltd	-	2,587	-	1,715
National Treasury	-	1,133	-	1,133
Telkom SA Limited	-	11,908	-	11,326
The Courier and Freight Group (Pty) Ltd	-	-	-	11,617
The Independent Communications Authority of South Africa (ICASA)	-	80	-	80
Convertible loans from shareholder				
Department of Telecommunications and Postal Services	-	-	-	287,176
National Treasury	-	174,000	-	205,000
Operating lease assets				
The Courier and Freight Group (Pty) Ltd	-	-	-	2
The Document Exchange (Pty) Ltd	-	-	-	18
Provision for bad debts				
Sapos Properties (Bloemfontein) (Pty) Ltd	-	474	-	1,192
Sapos Properties (Cape Town) (Pty) Ltd	-	1,670	-	4,101
Sapos Properties (East Rand) (Pty) Ltd	-	3,091	-	9,894
Sapos Properties (Port Elizabeth) (Pty) Ltd	-	202	-	2,145
Sapos Properties (Rossburgh) (Pty) Ltd	-	4,065	-	7,504
The Courier and Freight Group (Pty) Ltd	-	631,908	-	551,194
The Document Exchange (Pty) Ltd	-	309	-	228

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000
Related party transactions				
Interest paid to (receivable from) related parties				
The Courier and Freight Group (Pty) Ltd	-	-	-	(1,881)
Purchases from related parties				
Centriq Insurance Innovation (Pty) Ltd	81,218	30,755	42,354	28,312
National Treasury	327,811	420,576	327,811	420,576
People Perfect (Pty) Ltd of Dr. S Lushaba	178	1,019	178	-
Telkom SA Limited	3,906,502	4,407,842	3,901,779	4,401,680
The Independent Communications Authority of South Africa (ICASA)	123	25,089	123	25,089
T-Systems South Africa (Pty) Ltd of Ms. G Simelane	-	508	-	-
South African Broadcasting Corporation	449,938	-	449,938	-
Sales to related parties				
Centriq Insurance Innovation (Pty) Ltd	22,730	22,604	22,730	22,604
South African Broadcasting Corporation	36,309	-	36,309	-
National Treasury	-	445	14	445
The Presidency	-	27	-	27
Telkom SA Limited	75,280	88,401	75,280	88,325
Universal Service and Access Agency of South Africa (Usaasa)	14,812	-	14,812	-
Management fees expensed in relation to related parties				
The Courier and Freight Group (Pty) Ltd	-	3,597	-	47,963
Commission and administration fees received in relation to related parties				
Centriq Insurance Innovation (Pty) Ltd	-	1,360	-	2,154
The Document Exchange (Pty) Ltd	-	-	-	1,200
Support charrges recoveries in relation to related parties				
The Courier and Freight Group (Pty) Ltd	-	-	-	49,225
Linehaul costs recoveries from related parties				
The Courier and Freight Group (Pty) Ltd	-	-	-	70,007
Rent received from related parties				
The Courier and Freight Group (Pty) Ltd	-	-	828	40
The Document Exchange (Pty) Ltd	-	-	746	556
Premiums paid to related parties				
Centriq Insurance Innovation (Pty) Ltd	-	13,700	-	13,700

The remuneration of directors and other members of key management amounted to R11.9million (2015: R11.3million). Refer to Note 45 to details on directors' and prescribed officers' emoluments

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015 (Restated)	2016	2015 (Restated)
	R '000	R '000	R '000	R '000

45. Administrator, directors' and prescribed officer's emoluments

The following emoluments were paid to the director or any individuals holding a prescribed office during the year:

Executive
2016

		Emoluments R '000	Other benefits (1) R '000	Leave pay R '000	Total R '000
Mr M Barnes	2	538	-	-	538
Mr CJ Hlekane	3	1,574	-	471	2,045
Ms K Mzozoyana	4	2,199	21	301	2,521
Mr M Mathonsi	5	2,348	18	172	2,538
Ms NJ Dewar	6	1,337	7	-	1,344
Ms MR Maleka	7	530	-	-	530
Mr NST Ndlazi	8	261	2	-	263
Total executive emoluments		**8,787**	**48**	**944**	**9,779**

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Appointed as Group CEO 15 January 2016. Also a director of The Courier and Freight Group and Document Exchange.
3. Group CEO. Also a director of the Courier and Freight Group and Document Exchange. Retired 31 August 2015
4. Group CFO. Also a director of The Courier and Freight Group and Document Exchange. Retired 10 February 2016.
5. Group COO. Acting MD: The Courier and Freight Group from 25 July 2014. Acting Group CEO from 3 October 2014. Retired 30 November 2015.
6. CFO: Postbank. Also acting Group CFO from 15 July 2015
7. GM Treasury appointed 14 July 2014. Acting CFO from 11 March 2015, acting ended 16 July 2015.
8. GE Strategy and sustainability appointed 1 October 2015. Acting Group CEO from 1 November 2015

Retired impilies retired, resigned or dismissed.

2015

		Emoluments R '000 R '000	Other benefits (1)	Total R '000
Mr CJ Hlekane	2	3,399	-	3,399
Ms K Mzozoyana	3	2,508	25	2,533
Mr M Mathonsi	4	2,347	18	2,365
Mr S Adam	5	2,391	9	2,400
Mr MJ Mathibe	6	658	8	666
Total executive emoluments		**11,303**	**60**	**11,363**

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Group CEO. Also a director of The Courier and Freight Group, The Document Exchange and Sapos Properties.
3. Group CFO. Also a director of The Courier and Freight Group, The Document Exchange and Sapos Properties.
4. Group COO. Acting MD: Courier And Freight Group from 25 July 2014. Acting Group CEO from 3 October 2014.
5. Acting MD Postbank.
6. MD: The Courier and Freight Group. Also acting MD: The Document Exchange. Retired 25 July 2014. Retired implies resign, retired or dismissed.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Administrator and non-executive

2016

		Directors' fees R '000	Total (1) R '000
Dr DSS Lushaba	3	2,312	2,312
Mr JS Ngubane	4	169	169
Ms BP Soci	5	193	193
Ms LD Marole	6	164	164
Dr LM Molefi	7	134	134
Mr ZC Ngidi	8	177	177
Mr RD Nkuna	9	138	138
Mr PE Rabohale	10	244	244
Ms NV Simamane	11	196	196
Mr ME Zakwe	12	320	320
Total non-executive emoluments		**4,047**	**4,047**

1. Emoluments include both administrator fees, directors' fees for meetings and annual/quarterly retainer fees.
2. The group re-imburses travel and accommodation expenses for members outside the Gauteng province.
3. Appointed as Administrator 7 November 2014. Appointed as Chairperson of the Board 15 August 2015.
4. Appointed 15 August 2015. Also the Chairperson of Document Exchange. Retire 29 February 2016..
5. Appointed 15 August 2015.
6. Appointed 15 August 2015.
7. Appointed 15 August 2015. Also a director of Document Exchange.
8. Appointed 15 August 2015.
9. Appointed 15 August 2015.
10. Appointed 15 August 2015. Also the chairperson of the Courier and Freight Group.
11. Appointed 15 August 2015.
12. Appointed 15 August 2015. Also a director of the Courier and Freight Group.

Resigned implies resigned or retired.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

2015

		Emoluments (1) R '000	Expense allowance R '000	Total (2) R '000
Dr S Lushaba (Chairperson)	3	1,362	-	1,362
Dr HN Manzini	4	352	3	355
Mr MS Patel	5	420	3	423
Ms SP Mothelesi	6	335	6	341
Mr T Mageza	7	330	16	346
Mr S Gouden	8	349	15	364
Mr JS Ngubane	9	300	8	308
Mr R Sishuba	10	211	12	223
Ms G Simelane	11	269	10	279
Ms N Kela	12	316	9	325
Ms NG Mthethwa	13	302	8	310
Total non-executive emoluments		**4,546**	**90**	**4,636**

1. Emoluments include both directors' fees for meetings and annual / quarterly retainer fees.
2. The group re-imburses travel and accommodation expenses for members outside the Gauteng province.
3. Appointed as Administrator 7 November 2014.
4. Acting Chairperson of the Board. Also a Director of CFG. Retired 07 November 2014.
5. Also a director of The Courier and Freight Group. Retired 07 November 2014.
6. Appointed 17 December 2013. Also a Director of The Document Exchange. Retired 07 November 2014.
7. Appointed 17 December 2013. Also a Director of The Courier and Freight Group. Retired 07 November 2014.
8. Appointed 17 December 2013. Retired 07 November 2014.
9. Appointed 17 December 2013. Retired 07 November 2014.
10. Retired 23 October 2014.
11. Retired 22 October 2014
12. Also a director of The Courier and Freight Group and The Document Exchange. Retired 07 November 2014.
13. Also Chairperson of the Board of The Document Exchange. Resigned 23 October 2014.

Retired implies resigned or retired.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Prescribed officers

2016

		Emoluments	Other benefits (1)	Compensation for loss of office (Leave pay)	Total
		R '000	R '000	R '000	R '000
Mr CA Phillips	2	1,376	23	-	1,399
Mr B Tiribabi	3	96	3	34	133
Ms D Lume	4	609	-	-	609
Mr FS Mamotsau	5	1,056	23	-	1,079
Ms AR Seafield	6	1,360	23	-	1,383
Ms TN Mashanda	7	1,077	4	93	1,174
Mr DMM Mncwabe	8	1,003	12	-	1,015
Ms T Sihlaba	9	695	4	-	699
Mr NST Ndhlazi	10	366	2	-	368
Mr M Salojee	11	590	8	-	598
Mr NI Tolom	12	519	8	-	527
Ms N Matanzima	13	169	-	9	178
Mr AK Yabo	14	219	2	-	221
Ms NJ Dewar	15	446	2	-	448
Mr S Adam	16	2,207	9	-	2,216
Total prescribed officers emoluments		**11,788**	**123**	**136**	**12,047**

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Chief Audit Executive.
3. Acting group CIO. Appointed 19 April 2013. Retired 3 April 2015
4. Manager: The Document Exchange
5. Acting MD: The Courier and Freight Group. Also acting MD: The Document Exchange from 27 October 2014. GM: Transport & Logistics from 1 October 2015
6. GE: Human Capital Management. Appointed 5 January 2015
7. GE: Bank Controlling. Appointed 15 November 2012. Retired 7 August 2015
8. Group CIO. Appointed 1 October 2015
9. Acting Group Company Secretary from 13 May 2015. Acting ended 30 September 2015.
10. GE: Strategy and Sustainability. Appointed 1 October 2015. Also acting as Group CEO from 1 November 2015.
11. GE: Governance and Regulation. Appointed 1 November 2015.
12. GE: Commercial. Apointed 1 November 2015.
13. Group Company Secretary. Appointed 1 October 2015. Retired 30 November 2015.
14. Acting Group Company Secretary from 8 December 2015.
15. CFO: Postbank. Also acting Group CFO from 15 July 2015
16. Acting MD: Postbank.

Retired implies resigned or retired.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

2015

		Emoluments R '000	Other benefits (1) R '000	Leave Pay R '000	Total R '000
Adv MM Mphelo	2	977	9	-	986
Ms S Myburg	3	1,165	9	-	1,174
Mr L Lose	4	1,510	23	-	1,533
Mr CA Phillips	5	1,492	25	-	1,517
Mr M Faasen	6	1,417	-	-	1,417
Mr P Ngomane	7	1,114	9	-	1,123
Ms KT Rapoo	8	1,164	-	-	1,164
Mr LP Govender	9	1,479	9	-	1,488
Mr M Borotho	10	1,494	25	-	1,519
Ms NJ Dewar	11	1,931	9	-	1,940
Mr JS Kotsi	12	1,568	20	209	1,797
Mr NA Mnisi	13	111	2	163	276
Mr B Tiribabi	14	1,092	17	-	1,109
Mr TE Xiphu	15	1,631	20	-	1,651
Mr K Mothobi	16	1,201	-	-	1,201
Mr NC Dube	17	706	-	62	768
Ms D Lume	18	658	-	-	658
Mr FS Mamotsau	19	231	2	-	233
Ms M Kgari	20	963	13	-	976
Mr G Bataille	21	172	2	-	174
Mr PS Swart	22	563	3	-	566
Mr A Nongogo	23	294	4	-	298
Ms AR Seafield	24	330	6	-	336
Ms MR Maleka	25	915	-	-	915
Ms TN Mashanda	26	1,642	3	-	1,645
Total prescribed officers emoluments		**25,820**	**210**	**434**	**26,464**

1. Other benefits include mainly telephone and various travel related reimbursements.
2. Acting group Company Secretary. Appointed 15 February 2014.
3. Acting GE: Human Resources. Appointed 01 July 2013.
4. GE: Corporate Affairs.
5. Chief Audit Executive.
6. Group Principle Officer.
7. GM: Security & Investigation Services.
8. Acting MD: Sapos Properties.
9. GM: Management Accounting. Also acting GE: Supply Chain Management until 30 September 2013.
10. GE: Supply Chain Management. Appointed 01 October 2013.
11. CFO: Postbank.
12. GE: Mail Business.

Notes to the Consolidated Financial Statements

13. GE: Retail.

14. Acting group CIO. Appointed 19 April 2013.

15. GE: Corporate Affairs.

16. Acting GE: CEO. Contracted employee.

17. GM: The Courier and Freight Group

18. Manager: The Document Exchange

19. Acting MD: The Courier and Freight Group. Also acting MD: The Document Exchange from 27 October 2014

20. Acting Group Executive: Retail from 5 January 2014

21. Acting Group Executive: Retail from 19 January 2015

22. Acting Group Executive: Mail Business from 3 October 2014

23. Acting Group Executive : Mail Business from 21 January 2015

24. GE: Human Capital Management. Appointed 5 January 2015

25. GM: Treasury. Appointed 14 July 2014

26. GE: Bank Controlling. Appointed 15 November 2012

Retired implies resigned or retired.

46. Risk management

Capital risk management

Capital risk refers to the risk that the group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business. The management of capital risk will ensure that opportunities can be acted on timeously while solvency is never threatened.

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8, 23 & 26 cash and cash equivalents disclosed in note 17, and equity as disclosed in the statement of financial position.

The group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The group's exposure to capital risk arises from primarily the following:

- Funds which are being received from the shareholder may cease before completion of the projects that they are intended to be financed; and
- Funds received from the shareholder are specifically for certain identified projects.

Capital risk is managed in terms of certain guidelines agreed between the group and shareholder. There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 31 March 2016 and 31 March 2015 respectively were as follows:

Notes to the Consolidated Financial Statements

		Group		Company	
		2016	2015	2016	2015
		R '000	R '000	R '000	R '000
Total borrowings					
Other financial liabilities	23	1,008,246	-	1,008,246	-
Bank Overdraft	17	229,413	78,729	229,413	78,729
Deposits from the public	26	4,820,012	4,838,040	4,820,012	4,838,040
		6,057,671	**4,916,769**	**6,057,671**	**4,916,769**
Less: Cash and cash equivalents	17	2,885,035	3,413,931	2,871,479	3,387,881
Net debt		3,172,636	1,502,838	3,186,192	1,528,888
Total equity		(141,971)	812,163	(85,054)	842,994
Total capital		**3,030,665**	**2,315,001**	**3,101,138**	**2,371,882**
Gearing ratio		105 %	65 %	97 %	63 %

Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

A comprehensive treasury policy has been compiled and approved by the board to ensure that all financial risks to which the group is exposed are understood and managed. The treasury policy covers all key areas of risk management namely identification, measurement, management and reporting of risk. Governance structures are in place to achieve effective independent monitoring and management of market risks through:

- The group's Asset and Liability Management ("ALM") function that is responsible for the day to day monitoring, evaluation and reporting of all market risks;
- The board's Group Risk Committee which is responsible for ensuring that from a strategic perspective, risk is handled as an area of competitive advantage and a key source of innovation; and

Financial risk management objectives

The group's ALM function monitors and manages financial risks relating to the treasury operations of the group through internal risk reports which analyse the degree and magnitude of risks. These risks include fair value interest rate risk, currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The group seeks to minimise the effects of the negative impact of these risks by ensuring compliance with the treasury policy limits and benchmarks with regard to the following:

- Proposed money market investment strategies do not result in the breach of asset / liability mismatch gap limit;
- Ensuring that the net interest income volatility is within approved benchmark;
- Adequate overnight liquidity limit is complied with by having sufficient call balances;
- The South African Post Office (SOC) Limited's credit exposure in the investment portfolio is diversified across a range of acceptable counterparties and the maximum investment with a particular counterparty will be limited to 25% of the total investments. Where the amount to be invested per counterparty is less than or equal to R50 million, the minimum investment with any one counterparty should be limited to 50% + 1 of the total investment and not exceeding R25 million; and
- Instrument limits are set to avoid excess concentration in any given financial investment instrument or with any counter party.

Overall the group's main financial risk management objective is to ensure enhanced return within the risk profiles or parameters approved by the board.

Notes to the Consolidated Financial Statements

Fair value assumptions of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of foreign currency forward contracts is measured using quoted forward exchange rates and interest rate differential between local and foreign rates derived from quoted interest rates matching maturities of contracts.

Valuation of unlisted shares in Gidani Management (Pty) Ltd

The group had previously owned an equity stake of 1125 shares in Uthingo Management (Pty) Ltd. The liquidation of Uthingo Management (Pty) Ltd was finalised in the financial year ending 31 March 2010.

Subsequent to the liquidation of Uthingo Management (Pty) Ltd, the group had been allocated 100 ordinary shares in Gidani Management (Pty) Ltd, which represent 10% of Gidani shares. The shares were allocated to the South African Post Office (SOC) Limited by the Department of Trade and Industry on 28 July 2010.

The fair value of the South African Post Office (SOC) Limited's stake in Gidani was determined by management to be zero. The discounted cash flow model was used in the determination of the fair value of the South African Post Office (SOC) Limited's shareholding in Gidani.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet both expected and unexpected current and future cash flow needs without negatively affecting either the daily operations or the financial condition of the group.

The group's exposure to liquidity risk arises mainly as a result of the following:

- Unexpected withdrawal of cash by Postbank clients;
- Daily working capital requirements; and
- The group has signed contracts with third parties where its retail network is used as a collection agent for municipalities and other institutions. All contracts stipulate that funds collected for third parties are paid over to them after 24 hours.

Liquidity risk is managed in terms of the board approved treasury policy with appropriate dashboard liquidity risk profiles which are monitored by the group's ALM function. The management of liquidity risk and particularly the group's cash flows is strongly focused on the short to medium term to ensure that the group ALM function and the Treasury are quick to respond to immediate cash flow requirements under different stress scenarios.

On a quarterly basis, the group ALM function performs behavioural and stress analyses to identify business as usual as well as potential stress cash flow requirements.

The group manages its daily liquidity by having cash reserves on overnight call balances of at least R 250 million and maintaining overdraft credit facilities with all the major banks. The group's ALM function monitors the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities of the banking division.

At year-end, the group had overnight call balances of R 384,736 million (2014: R 346,504 million) and R 270 million (2014: R 50 million) in overdraft / credit facilities with the major banks. R 78,729 million overdraft facility was utilised at year- end (2014: R 350,350 million).

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Group

At 31 March 2016	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and bank balances	1,986,868	1,100,490	-	-	-	3,087,358
Investments	-	-	1,764,040	2,616,860	-	4,380,900
Other financial assets	207,037	73,854	173,768	375,179	286,445	1,116,283
Trade and other receivables	-	409,979	-	-	-	409,979
Deposits from the public	(4,695,105)	(28,299)	(84,897)	(11,711)	-	(4,820,012)
Funds collected on behalf of third parties	(105,892)	-	-	-	-	(105,892)
Trade and other payables	-	(1,241,083)	(245,637)	-	-	(1,486,720)
Bank overdraft	(229,413)	-	-	-	-	(229,413)
Other financial liabilities	-	-	(1,008,246)	-	-	(1,008,246)
	(2,836,505)	**314,941**	**599,028**	**2,980,328**	**286,445**	**1,344,237**

At 31 March 2015	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and bank balances	1,921,469	1,136,369	-	-	-	3,057,838
Investments	-	95,903	1,153,093	2,637,190	-	3,886,186
Other financial assets	226,094	3,965	59,191	425,515	417,966	1,132,731
Trade and other receivables	-	473,867	-	-	-	473,867
Deposits from the public	(4,713,133)	(28,299)	(84,897)	(11,711)	-	(4,838,040)
Funds collected on behalf of third parties	(115,828)	-	-	-	-	(115,828)
Trade and other payables	-	(1,401,374)	-	-	-	(1,401,374)
	(2,681,398)	**280,431**	**1,127,387**	**3,050,994**	**417,966**	**2,195,380**

Company

At 31 March 2016	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and bank balances	1,973,311	1,100,490	-	-	-	3,073,801
Investments	-	-	1,764,040	2,616,860	-	4,380,900
Other financial assets	207,037	73,854	173,768	375,179	286,445	1,116,283
Trade and other receivables	-	393,710	-	-	-	393,710
Deposits from the public	(4,713,133)	(28,299)	(84,897)	(11,711)	-	(4,838,040)
Funds collected on behalf of third parties	(105,892)	-	-	-	-	(105,892)
Trade and other payables	-	(1,423,484)	-	-	-	(1,423,484)
Bank overdraft	(229,413)	-	-	-	-	(229,413)
Other financial liabilities	-	(1,008,246)	-	-	-	(1,008,246)
	(2,868,090)	**(891,975)**	**1,852,911**	**2,982,328**	**286,445**	**1,359,619**

At 31 March 2015	Overnight	Less than 3 months	Between 3 and 12 months	Greater than 1 year	Equity	Total
Cash and cash equivalents	1,882,034	1,136,369	-	-	-	3,018,403
Investments	-	95,903	1,153,093	2,637,190	-	3,886,186
Loans and long term receivables to group companies	-	-	-	425,515	-	425,515
Other financial assets	226,094	3,965	59,191	-	417,966	707,216
Trade and other receivables	-	422,662	-	-	-	422,662
Deposits from the public	(4,695,105)	(28,299)	(84,897)	(11,711)	-	(4,820,012)
Funds collected on behalf of third parties	(115,828)	-	-	-	-	(115,828)
Trade and other payables	-	(1,310,103)	-	-	-	(1,310,103)
	(2,702,805)	**320,497**	**1,127,387**	**3,050,994**	**417,966**	**2,214,039**

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Market risk

Market risk is the potential negative impact on earnings resulting from unfavourable changes in exchange rates, interest rates, prices and other market volatilities i.e. the risk that the fair value or future cash flows of financial instruments will fluctuate.

The group's exposure to market risk arises primarily from its activities in four main areas:

- Interest rate risk in the group's portfolio as a result of the financial assets and financial liabilities re-pricing mismatch in line with the ALCO's view of the interest rates;
- Repricing risk is the risk of adverse impact on the group's interest return from mismatched financial assets and liabilities;
- Investment risk is the risk of falling interest rates at the time of the investment or re-investment of the group's surplus cash or the risk of the cash reserves maturing being re-invested at lower rates than expected;
- Foreign exchange risk arising from the group's exposure to international postal services and products as well as the import of capital goods sourced offshore; and
- Systemic risk is the risk that events either globally or locally threaten the ongoing financial soundness of financial markets.

Market risk is quantified by performing sensitivity analyses on both interest and exchange rates. For interest rate risk, the policy stipulates that a 1% point adverse shift in the yield curve should not result in a 8% reduction in the projected income in the money market portfolio return over a 12 months horizon. This is done for both the held to maturity portfolio where cash flow interest sensitivity is measured and the available for sale portfolio in respect of fair value sensitivity analysis.

The group's exposure to currency risk is also evaluated by the exchange rate sensitivity analysis. The group only enters into a foreign exchange forward cover agreement where the foreign exposure is greater than R 1 million and a 1% point adverse move in the exchange rate result in a projected loss of R 0,5 million over a one day horizon.

It is the responsibility of the group's ALM function to monitor compliance with risk limits and all breaches are discussed at the monthly ALCO meetings.

Interest rate risk

Interest rate risk is the risk that the group's earnings or economic value of the financial assets will decline as a result of changes in the interest rates.The group's exposure to interest rate risk arises primarily from the following:

- Re-pricing risk (mismatch risk) - timing differences in the maturity and re-pricing of financial assets and financial liabilities; and
- Investment risk on the group's surplus operational cash reserves arising from adverse movements in the interest rates.

The interest rate risk is managed in terms of the board approved treasury policy. The policy specifies a percentage gap or re-pricing mismatch between interest rate sensitive-financial assets and sensitive-financial liabilities which in turn is monitored and measured by the group's ALM function. Interest rate limit breaches are reported at the ALCO meetings.

Appropriate interest rate risk dashboard indicators are compiled to provide the ALCO members with the necessary interest rate risk information on a monthly basis, including a measure of compliance with approved limits and benchmarks.

Cash flow interest rate risk

The table below reflects net interest income sensitivity for a given 1% up and downward shift in interest rates at year-end:

Increase (decrease)				
1% increase in interest rates	37,057	7,326	37,057	7,326
1% decrease in interest rates	(37,469)	(5,475)	(37,469)	(5,475)

Fair value interest rate risk

The table below reflects the impact on the available-for-sale equity reserve for a given 1% up and downward shift in interest rates at year end:

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
Increase (decrease)				
1% increase in interest rates	(9,823)	(7,206)	(9,823)	(7,206)
1% decrease in interest rates	9,937	7,297	9,937	7,297

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in the financial loss to the group.

The group's exposure to credit risk arises primarily from credit sales to its clients and money market investment activities. Credit risk is managed in terms of the board approved group treasury risk policy, which in turn encompasses comprehensive credit procedures, limits and governance structure. Formal credit ratings are utilised in the credit evaluation process of the counterparties.

The minimum credit ratings for investment counterparties are Fitch National Long Term Rating 'A' and Fitch National Short Term Rating 'F1'. The credit quality of counterparties is monitored by the group ALM function. The group's credit exposure is diversified across a range of acceptable counterparties and the maximum investment with any counterparty is limited to 25% of total investments. All counterparty limits are reviewed in line with balance sheet growth and at least on an annual basis.

It is the responsibility of the group ALM function to monitor compliance with the approved counterparty credit limits and any breach is reported to the monthly ALCO meeting.

The carrying amounts of financial assets recorded in the financial statements represents the group's maximum exposure to credit risk. The group is further exposed to the credit risk as a result of the housing guarantees that it issues on behalf of a certain category of its employees. At year-end the maximum amount the group could have to pay if the guarantees are called on amounts to R 1,330 million, (2015: R 1,371 million).

All financial assets except for those that are measured at fair value through profit or loss are assessed to determine any evidence of impairment. Any deterioration in any counterparty credit rating is regarded as evidence of impairment. During the course of the year, there was no evidence of impairment observed in held to maturity financial assets and available for sale assets held by the group.

The group credit risk is considered to be limited because all its investment counterparties are major banks with high credit ratings and other investments are in Government and liquid corporate paper. The credit risk profile and quality of the group's investment counterparties is considered to be sound, well managed and commensurate with the risk appetite of the board.

Foreign exchange risk

Foreign exchange risk is the risk of the decline in the earnings or realisable value in the net financial asset position of the group arising from adverse movements in foreign exchange rates.The group is exposed to foreign exchange risk as a result of exposures that arise from rendering of international postal services and products as well as capital imports that are sourced offshore.

The group manages the foreign currency exposures relating to international postal services through the utilisation of Universal Postal Union (UPU) approved netting agreements between South Africa and debtor and creditor countries. In the event where the exposure after netting exceeds the limit specified below, a forward foreign exchange contract is taken to hedge the foreign exchange risk.

The group has a policy that manages foreign exchange risk arising from capital imports sourced offshore by utilisation of forward foreign exchange contracts as documented in the board approved treasury policy. The treasury policy stipulates the following in respect of utilisation of forward cover:

- No forward cover is required where the currency exposure is less than R1 million in value and a 1% adverse exchange rate move does not result in a R 0,5 million currency loss.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

- Forward cover is taken where the exposure in respect of a specific foreign currency commitment is more than R 1 million and 1% adverse move in the exchange rate results in the group experiencing a loss of more than R 0,5 million. Actions taken in managing foreign exchange risk at the group ALCO meetings are reported to the group Risk Committee of the board on a quarterly basis.

At year-end, the group was exposed to the following foreign currency denominated financial assets and financial liabilities for which no forward cover had been taken out:

Foreign currency exposure at the end of the reporting period

	Group 2016 R '000	Group 2015 R '000	Company 2016 R '000	Company 2015 R '000
Financial assets				
Euro	4	19	4	19
Great Britain Pounds	9	21	9	21
Special Drawing Rights	7,737	7,300	7,737	7,300
United States Dollar	2	14	2	14
Financial liabilities				
Euro	2,782	1,243	2,782	1,243
Kenyan Shilling	-	381	-	381
Special Drawing Rights	9,770	10,643	9,770	10,643
New Zealand Dollar	45	37	45	37
Swiss Franc	43	22	43	22
United States Dollars	589	273	589	273
Zambian Kwacha	12	2	12	2

At year-end, the group's net income at risk from foreign exposure arose from the net asset currency position. A depreciation of 1% in the exchange rate would result in R 0,975million foreign currency gain for the group (2015: R 0,752 million) currency gain).

Price risk

The table below reflects the impact on the group's income for a given 1% up and downward shift in market rates at period end:

	Group 2016 R '000	Group 2015 R '000	Company 2016 R '000	Company 2015 R '000
Increase (decrease)				
1% increase in interest rates	(7,455)	(13,158)	(7,455)	(13,158)
1% decrease in interest rates	8,310	15,148	8,310	15,148

Notes to the Consolidated Financial Statements

Method and assumptions: Sensitivity analyses of financial assets and liabilities

i. Fair value interest sensitivity

On Government and corporate bonds classified as available for sale assets, the group determines fair value interest sensitivity using quoted yield to maturity rates for specific Government and corporate bonds held by the group. The group calculates the fair value interest sensitivity for a one day horizon and is measured for a 1% parallel shift in the rates. For fair value sensitivity the group treasury policy stipulates that a 1% adverse change in the rates should not result in a 0.75% capital loss in the portfolio over a one day period.

ii. Cash flow interest sensitivity

The group calculates the cash flow interest sensitivity to determine interest at risk on held to maturity financial assets and financial liabilities at amortised cost. The cash flow interest sensitivity includes all variable interest bearing financial assets and liabilities included in these categories. The sensitivity is calculated by interpolating along the Jibar and FRA quoted rates. The interpolation is performed to coincide with the maturities and re-investments of the principal cash flows. The calculation of the cash flow interest sensitivity analysis is in line with the group's investment strategy. The cash flow sensitivity is measured for a 1% parallel shift in the rates.

iii. Equity risk sensitivity

At year-end, the group had unlisted shares in Gidani Management (Pty) Ltd. The directors had used the discounted cash flow model to determine the fair value of the shares. The equity risk in the shares was considered to be minimal as the equity holding wasn't exposed to the volatility of the stock market. On listed shares, the equity price risk is measured for 1% change in the share prices.

iv. Fair value of financial assets and financial liabilities recorded at amortised cost

The directors consider the carrying amount of financial assets and financial liabilities recorded at amortised cost and having a duration that is less or equal to twelve months as approximating their fair value. At year-end there were no financial assets and financial liabilities having a duration greater than twelve months that were carried at amortised cost.

v. Fair value measurements recognised in the statement of financial position

For an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3, based on the degree to which the fair value is observable, see note 9.

47. Going concern

For the year ended 31 March 2016 the Group generated comprehensive loss of R1.135 million (2015: R 1.518 million). The organization has been experiencing cash constraints and has not had sufficient working capital. The cause of the deterioration of the Group's liquidity position is both due to internal and external factors, such as the migration of customers towards digital communication, general decline in the mail business volumes and revenue as well as an inappropriate and inefficient business model. This has resulted in the Group not generating sufficient revenue to finance its high cost base and thus a material uncertainty of the entity's ability to continue as a going concern for the foreseeable future would exist without the R4.44 billion of guarantees made available to the group by the shareholder.

The Board has also approved implementation of revenue up-liftment initiatives and cost containment measures that will see a further R1 billion improvement in cash-flows within the 2016/2017 financial year, before taking into consideration employee related restructuring costs and investments to support revenue growth and cost reductions.

At year end, negotiations with several funding institutions were at an advanced stage as additional debt of R 2.7 billion is required in order to meet short- and long-term funding requirements of the organization including the implementation of the Corporate Plan. This debt will be backed by existing State Guarantees. A 3 year bullet repayment of the loan facility of R3.7 billion, refinancing the existing loan of R1.0 billion was secured in July 2016, matched by a consolidated guarantee from the Republic of South Africa.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Land and building at 31 March 2016, are carried at a cost/amortised cost of R681.3 million. The municipal valuation of the property portfolio is R1.564 billion which is understated by R1.0 billion relative to the market value of properties. The unrecognised adjustment to bring land and building to market value is R1.92billion, of which 70% has been included in the solvency calculation for the next 12 months, i.e. R1.34 billion.

Figures in million Rand	**Assets**	**Liabilities**	**Equity**
Balance at year end	10,116	(10,258)	(142)
Add: Equity injection	650	-	650
Add: Loan funding July 2016	2,700	(2,700)	-
Add: Property valuation	1,345	-	1,345
Less: Projected losses to July 2017	(1,605)	-	(1,605)
Less: Repayment of creditors	(900)	900	-
	12,306	**(12,058)**	**248**

SAPO will be solvent to the tune of R248 million in July 2017. This is a conservative estimation as it does not take into account the following:

- R240 million allocated for DTT distribution in 2016/17;
- R240 million allocated for DTT distribution in 2017/18;
- MTEF application for additional funding of R498 million for DTT in 2017/2018; and
- MTEF submission for R1.35 billion equity injection for 1 April 2017 which will result in lower interest costs.

48. Fruitless and wasteful expenditure

Opening balance under investigation	91,072	95,056	83,395	87,379
Add: Fruitless and wasteful expenditure under investigation - current year	7,076	24	7,050	24
Add: Fruitless and wasteful expenditure under investigation - prior years	-	-	-	-
Less: Amounts condoned	-	(4,008)	-	(4,008)
Less: Amounts recovered (not condoned)	-	-	-	-
Less: Amounts recoverable (not condoned)	-	-	-	-
Total fruitless and wasteful expenditure awaiting condonation	**98,148**	**91,072**	**90,445**	**83,395**
Analysis of awaiting condonation per age classification				
Current year	7,076	24	7,050	24
Prior years	91,072	91,048	83,395	83,371
Total current fruitless and wasteful expenditure - current year	**98,148**	**91,072**	**90,445**	**83,395**

Currently, the group is also in the process to finalise the investigations of alleged fruitless and wasteful expenditure with a potential value of R 13,5 million.

49. Material losses due to criminal conduct

Fraud and theft	10,896	6,725	10,896	6,725

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

50. Irregular expenditure

Opening balance under investigation	684,253	576,861	538,765	385,461
Add: Irregular expenditure under investigation - current year	151,428	75,056	127,095	67,493
Add: Irregular expenditure under investigation - prior years	2,829	95,077	-	85,811
Less: Irregular expenditure - regularised	(147,808)	-	(147,808)	-
Less: Amounts condoned	(210,985)	-	(104,709)	-
Less: Amounts recoverable (not condoned)	-	-	-	-
Less: Amounts not recoverable (not condoned)	-	-	-	-
Irregular expenditure awaiting condonation	**479,717**	**746,994**	**413,343**	**538,765**
Analysis of awaiting condonation per age classification				
Current period	151,428	75,056	127,095	67,493
Prior years	328,289	671,938	286,246	471,272
Total irregular expenditure awaiting condonation	**479,717**	**746,994**	**413,341**	**538,765**

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

- the PFMA Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or
- any provincial legislation providing for procurement procedures in that Provincial Government.

Categories of irregular expenditure include:

- Expenditure incurred as a result of non-compliance with a Treasury Regulation which required cognisance to be take of a National Treasury determination. For example, a department, trading entity, constitutional institution or public entity procured goods or services by means of price quotations where the value of the purchase exceeded the threshold values determined by the National Treasury for price quotations;
- Expenditure incurred as a result of institutions procuring goods or services by means other than through competitive bids and where reasons for deviating from inviting competitive bids have not been recorded and approved by the accounting officer or accounting authority; and
- Expenditure incurred as a result of non-compliance with a requirement of the institution's delegation of authority framework issued in terms of the PFMA.

The South African Post Office (SOC) Limited started reporting on irregular expenditure in the 2011 financial year in accordance with the PFMA requirement and continued accordingly. The South African Post Office (SOC) Limited is addressing the root causes resulting in irregular expenditure and it should also be noted that a total solution will only be achieved in the medium term due to the interventions considered and currently being implemented.

The process to identify any other irregular expenditure is continuing in order to have these investigated and condoned where relevant.

The South African Post Office (SOC) Limited has an established Financial Misconduct Committee (FMC) to review and to ensure that all "Financial Misconducts" within the The South African Post Office (SOC) Limited are managed in accordance with the requirements of the Public Finance Management Act (PFMA) and related regulations.

In the previous years irregular expenditure was identified mainly in terms of non-compliance with the procurement policy. However, the FMC has applied leading and procurement best practices, and this approach has largely contributed to the significant increase in the irregular expenditure amounts for 2014/2015 and 2015/2016 financial years because the criterias are more strictly applied.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

An amount of R 231,357 million (2015: R 192,813 million) of the total of R 535,262 million concerns a particular contract where an investigation was initiated and where the results are pending in order to determine third party liability or not. These amounts cannot be condoned until the investigation has been concluded. This is one of the items in the SIU and Public Protector's report.

The amount of R 151,428 million (2015: R 75,056 million, 2014: R 95,077 million) relates to "irregular expenditure awaiting condonation" for SAPO Group.

Included in the group is an amount of R 25,539 million (2015: R 4,685 million, 2014:R 9,266 million) that relates to "irregular expenditure awaiting condonation for CFG.

Included in the group is an amount of R 6,147 million (2015: R 2,878 million) that relates to "irregular expenditure awaiting condonation for Docex.

51. Deregistered Entities

The following dormant subsidiary entity which have never been consolidated was deregistered in the current financial year and the accumulated losses were as follows:

Subsidiary company				
The Courier and Freight Group Botswana (Pty) Ltd	3,560	3,560	-	-

52. Comparative figures and prior period errors

Certain comparative figures have been restated.

The effects of the restatements are as follows:

Site Restoration Provision:				
Non-Current Assets				
Property, plant and equipment	(9,691)	-	(9,691)	-
Non-Current Liability				
Provisions	(20,962)	-	(20,962)	-
Profit / loss				
Operating expenses	30,653	-	30,653	-

The provision on site restoration was erroneously calculated in the previous year and as a result the site restotation asset was also misstated.

Pension fund:				
Non-Current Assets				
Employee benefit obligation	5,490,122	5,147,371	5,490,122	5,147,371
Current asset				
Employee benefit obligation	491,499	438,697	491,499	438,697
Non-Current Liability				
Employee benefit obligation	(4,630,638)	4,138,190	(4,630,638)	4,138,190
Non-Current Liability				
Employee benefit obligation	(491,499)	438,697	(491,499)	438,697
Profit / loss				
Interest income	446,885	-	446,885	-
Interest expense	(373,313)	-	(373,313)	-
Capital and reserves				
Asset ceiling movement	116,331	-	116,331	-

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000

Pension fund was erroneously ommitted from presentation and disclosure. In the current year, an actuarial valuation has been done and the amounts corrected accordingly.

The actuarial valuation did not extend to the 2014 financial year; hence, corrections to profit/Loss, and reserves at the close of the 2014 year are not included in this disclosure.

Provident fund:

Non-current asset				
Retirement asset	(9,022)	(6,199)	(9,022)	(6,199)
Capital and reserves				
Retained earnings	5,321	-	5,321	-
Profit / loss				
Other income	3,701	-	3,701	-

Provident fund was erroneously ommitted from presentation and disclosure. In the current year, an actuarial valuation has been done and the amounts corrected accordingly.

The actuarial valuation did not extend to the 2014 financial year; hence, corrections to profit/Loss, and reserves at the close of the 2014 year are not included in this disclosure.

Bonus Provision:

Provision	14,081	-	14,081	-
Profit / loss				
Service Bonus Accrual	(14,081)	-	(14,081)	-
Current Assets-Trade and Other Receivables	(129,323)	-	(129,323)	-
Current assets- Other Financial Assets	129,323	-	129,323	-

Interest Accrual reclassification.

Reclassification of other income to revenue:				
Profit and loss				
Revenue	(90,463)	-	(90,463)	-
Other income	90,463	-	90,463	-
	-	-	-	-

In order to improve the accuracy of revenue, certain items were reclassified from other income to revenue.

Trade and other receivable reclassification

Current asset				
Trade and other receivables	(72,667)	-	(72,667)	-
Deposits from public	30,802	-	30,802	-
Cash and cash equivalence	41,865	-	41,865	-

In order to improve the accuracy and relevancy of items presented other items were reallocated from trade and other receivable.

Cash and cash equivalent reclassification

Current asset				
Cash and cash equivalence	(27,283)	-	40,553	-
Trade and other receivables	23,675	-	23,675	-
Deposits from public	39,573	-	39,573	-
Trade and other payables	(90,531)	-	(63,248)	-

In order to improve the accuracy and relevancy of items presented other items were reallocated to and from cash and cash equivalent.

Notes to the Consolidated Financial Statements

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
Trade and other payables reclassification				
Current asset				
Trade and other payables	7,652	-	7,652	-
Cash and cash equivalents	5,486	-	5,486	-
Deposit from public	2,166	-	2,166	-

In order to improve the accuracy and relevancy of items presented other items were reallocated to and from trade and other payables.

Deposits from the public				
Current liability				
Deposit from the public	50,003	-	50,003	-
Trade and other payables	(2,166)	-	(2,166)	-
Current asset				
Trade and other receivables	30,802	-	30,802	-
Cash and cash equivalents	21,367	-	21,367	-

In order to improve the accuracy and relevancy of items presented other items were reallocated to and from deposits from public.

Fund collected on behalf of the public:

Current liability				
Funds collected on behalf of third parties	4,280	-	4,280	-
Current asset				
Cash and cash equivalence	4,280	-	4,280	-

In order to improve the accuracy and relevancy of items presented other items were reallocated to and from funds collected on behalf of the public.

53. Change in estimate

Property, plant and equipment

The useful life and residual value of certain Buildings has been revised during the current year. The effect of this revision has decreased the depreciation charges for the current period by R 6 million.

The impact on tax is a increase of R 2 million(2015: R 1,488 million decrease)

The useful life and residual value of certain data processing equipment have been revised during the current year. The effect of this revision has decreased the depreciation charges for the current period by R7,466 million.

The impact on tax is an increase of R 2,091.

The useful life and residual value of certain furniture and fixtures have been revised during the current year. The effect of this revision has increased the depreciation charges for the current period by R54 million.

The impact on tax is a decrease of R15 million.

The useful life and residual value of certain leasehold improvements have been revised during the current year. The effect of this revision has decreased the depreciation charges for the current period by R 2,188 million.

The impact on tax is a increase of R613 million.

The useful life and residual value of certain motor vehicles have been revised during the current year. The effect of this revision has increased the depreciation charges for the current period by R0 million.

The impact on tax is a decrease of R0 million.

Notes to the Consolidated Financial Statements

The useful life and residual value of certain plant and machinery has been revised during the current year. The effect of this revision has decreased the depreciation charges for the current period by R 1,335 million.

The impact on tax is an increase of R 374 million.

The useful life and residual value of certain Computer software has been revised during the current year. The effect of this revision has decreased the depreciation charges for the current period by R 2 028 million.

The impact on tax is an increase of R 568 million.

The site restoration provision and the corresponding asset were revised in the current year. The effect of this revision has decreased the carrying amount of the corresponding asset by R36,434 million.

Investment properties

The useful life and residual value of certain investment properties has been revised during the current year. The effect of this revision has decreased the depreciation charges for the current period by R6 million.

The impact on tax is an increase of R2 million.

Salary adjustments

The salary provision made in the prior year has been revised during the current year. The effect of this revision has decreased the prior year salary provision by R14,2 million for the company and R15,3 million for the Group.

54. Subsequent events and other significant events

The SAPO Board of Directors (BoD) recognizes the importance of CFG to SAPO's courier business strategy. Therefore, in this regard, the SAPO BoD (SAPO BoD), in April 2016, approved a proposal from management to integrate CFG into SAPO. A due diligence exercise showed clearly that the operationally CFG and Speed Services Couriers (SS) are intricately intertwined. Given that both SAPO and CFG must optimize their cost bases, the SAPO and CFG BoDs resolved that SAPO divisionalise CFG by buying CFG's assets and liabilities. This will enable SAPO to eliminate non-essential costs and build a courier business that will achieve the strategic objectives as outlined in the corporate plan.

Equity Injection:

The Minister of Finance in his February 2016 budget speech announced a R650 million cash allocation to SA Post Office. This amount was received by SAPO in the form of an equity injection in April 2016, and ensured SAPO remained solvent while new loan facilities were being negotiated with banks.

Increase in borrowing limits:

The borrowing limits of the SAPO was approved by the Minister of Telecommunications and Postal Services and the Minister of Finance has increased from R1 billion at year end to R3.7 billion.

Approval of 2017-2019 corporate plan.

The company's corporate plan was approved for implementation.

Postbank corporatisation

In July 2016 the South African Reserve Bank approved Postbank Division's application to establish a bank.

CFG Provisional Liquidation

The Courier and Freight Group subsidiary was placed into provisional liquidation after year end. The SA Post Office is engaging with the liquidators to purchase the CFG business and transfer staff. PFMA approvals are being obtained for this transaction.

Detailed Income Statement

		Group		Company	
		2016	2015	2016	2015
	Note(s)	R '000	R '000	R '000	R '000
Revenue					
Agency and money transfer services		454,896	417,833	454,896	417,833
Courier services		226,418	464,099	122,189	180,387
Postal		3,378,175	3,584,299	3,342,611	3,549,436
Postbank interest revenue		380,827	340,658	380,827	340,658
Postbank net fee and commission revenue		216,588	265,568	216,588	265,568
Retail products		22,388	47,799	22,388	47,799
Total revenue	30	**4,679,292**	**5,120,256**	**4,539,499**	**4,801,681**
Cost of sales		**-**	**-**	**-**	**-**
		4,679,292	5,120,256	4,539,499	4,801,681
		-	-	-	-
Other income					
Commissions received		1,889	1,838	1,889	1,838
Dividends received	34	6,170	21,776	6,166	41,744
Fees earned		342	11,493	342	11,493
Interest received	34	579,110	583,685	578,052	581,410
Other income		19,181	14,011	13,613	12,422
Recoveries		64,126	132,496	110,925	187,081
Fair value adjustments	35	14,745	91,330	14,745	91,330
Rental income		50,973	38,109	49,158	36,963
Skills development levy refund		3,496	13,688	3,495	13,675
Total other income		**740,032**	**908,426**	**778,385**	**977,956**
		(5,831,439)	(6,320,361)	(5,698,532)	(6,046,230)
Expenses (Refer to page 123)		**(5,831,439)**	**(6,320,361)**	**(5,698,532)**	**(6,046,230)**
		4,679,292	5,120,256	4,539,499	4,801,681
		740,032	908,426	778,385	977,956
		(5,831,439)	(6,320,361)	(5,698,532)	(6,046,230)
Loss before Interest and Taxation	33	**(412,115)**	**(291,679)**	**(380,648)**	**(266,593)**
Interest expense	36	(702,592)	(570,418)	(701,427)	(570,029)
		(412,115)	(291,679)	(380,648)	(266,593)
		(702,592)	(570,418)	(701,427)	(570,029)
Loss before taxation		**(1,114,707)**	**(862,097)**	**(1,082,075)**	**(836,622)**
Taxation	37	(70)	(559,367)	-	(557,521)
Profit (loss) before taxation		(1,114,707)	(862,097)	(1,082,075)	(836,622)
Taxation		70	559,367	-	557,521
Loss for the year		**(1,114,777)**	**(1,421,464)**	**(1,082,075)**	**(1,394,143)**

Detailed Income Statement

		Group		Company	
		2016	2015	2016	2015
	Note(s)	R '000	R '000	R '000	R '000
Expenses					
Administration and management fees		314	715	35,972	47,963
Advertising		14,637	57,788	14,642	57,586
Assessment rates & municipal charges		225,293	219,796	220,614	214,357
Auditors remuneration	39	28,884	26,965	26,759	25,760
Bad debts		62,600	21,609	61,423	19,865
Bank charges		86,237	98,342	85,769	97,742
Cleaning		761	1,346	-	-
Commission paid		801	341	801	71
Consulting and professional fees		213,364	239,478	207,638	225,621
Consumables		40,803	90,918	41,697	85,700
Delivery expenses		84,351	87,392	77,442	77,764
Depreciation, amortisation and impairments		167,135	148,027	249,737	235,178
Donations		400	1,433	400	1,237
Employee costs		3,481,673	3,750,725	3,340,633	3,587,559
Entertainment		6	80	3	69
Fines and penalties		149,107	4,685	148,984	4,668
General expenses		33,727	14,027	33,556	9,363
IT fees		113,100	124,462	113,098	124,453
Insurance		48,744	26,703	45,989	25,721
International terminal fees		77,757	88,711	77,757	88,711
Legal expenses		22,404	12,393	21,382	13,098
Lease expenses		463,942	492,208	441,219	462,434
Loss on exchange differences		929	726	929	726
Magazines, books and periodicals		502	742	502	742
Other staff related costs		17,449	41,691	17,305	40,809
Petrol and oil		71,002	99,818	60,527	77,792
Printing and stationery		19,244	24,752	18,981	24,541
Promotions		180	89	180	63
Repairs and maintenance		71,742	129,342	66,466	116,197
Research and development costs		(584)	905	(584)	905
Risk expenses		5,882	17,214	5,882	17,213
Royalties and license fees		16,176	17,737	16,176	17,733
Security		374	1,397	233	1,175
Staff welfare		43	256	3	214
Storage fees		1,567	1,910	1,567	1,910
Telephone and fax		133,130	146,901	127,245	140,262
Training		2,120	10,139	2,120	10,139
Transport and freight		158,479	286,191	119,032	161,164
Travel - local		14,494	26,612	13,900	24,361
Travel - overseas		2,670	5,795	2,553	5,364
Total expenses		**5,831,439**	**6,320,361**	**5,698,532**	**6,046,230**

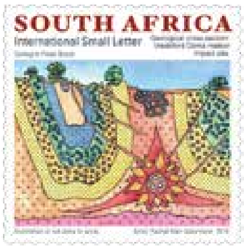
Glossary

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

Glossary

TCTC	Total cost to company
TTD	Temporary total disability
TVBC	Transkei, Venda, Bophuthatswana and Ciskei
UPU	Universal Postal Union
USO	Universal Service Obligation
VCCT	Voluntary confidential counselling and testing
WRE	Webriposte
WSP	Workplace skills plan

Notes:



Vision

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

Mission

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

Values

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

Post Office

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