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

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

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

1.2 Significant judgements and sources of estimation and 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.

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

Other items that are subject to fair value as a significant judgement and source of estimation and uncertainty include property, plant and equipment, and investment property. Further detail on the valuation of these items is provided in notes 3 and 6 respectively.

Impairment testing of non-financial assets

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

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

Provisions

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

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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

All capital assets are utilised through use except for land that is utilised through the sales tax rate.

Deferred income

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 final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss and deferred income liability in the period in which such determination is made.

Post-employment benefit obligations

In determining the value to be placed on these post em-

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ployment 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.

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

The Universal Service Obligations (USO) embodied in legislation governing the Post Office obliges the company to expand its presence in South Africa (SA), especially in rural SA. This means that the Post Office 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 Post Office 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 Post Office 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 Post Office relocated from leasehold premises of which 11 of the lessors required restoration.

Estimation of useful lives and residual Values

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

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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. Where 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 de recognised.

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 and buildings.

Land and buildings are subsequently stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses

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

On revaluation, the carrying amount of the asset is adjusted to the revalued amount. At the date of revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset. The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount.

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previous recognised in profit or loss.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit

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or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation reserve in equity related to a specific item of property, plant and equipment is transferred directly to retained income when the asset is de recognised.

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 de recognised.

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
Machinery and equipment	Straight line	3 - 20 years
Site restoration	Straight line	Expected term of the lease

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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 de recognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the de recognition of an item of property, plant and equipment is included in profit or loss when the item is de recognised. Any gain or loss arising from the de recognition 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 noncurrent 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
- 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 property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Trans-

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action costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is de recognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value, which reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises. Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is de recognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of de recognition.

1.6 Heritage assets

In terms of the ICASA license agreement, the Post Office 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 issued by the South African Accounting Standards Board.

A heritage asset is recognised 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 is measured at fair value on the date of acquisition. A non-exchange transaction is a transaction where an entity receives or gives value to another entity without directly giving or receiving an approximate equal value in exchange. Examples include gifts, fines and grants.

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

An inflow of resources from a non-exchange transaction recognised as 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 indefinite useful lives and are not depreciated.

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

Any increase in an asset's carrying amount, as a result of a revaluation, is credited to other comprehensive income and accumulated in the revaluation surplus in

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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 de recognised 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 de recognised.

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

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

External sources of information

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

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

Internal sources of information

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

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

1.7 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;
- 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.

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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.

De recognition of intangible assets

An intangible asset is de recognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de recognition 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 de recognised.

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.

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.

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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.

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 de recognised 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 time frame 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 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

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yield basis. The group's cash on hand and cash in the bank equivalents and short-term deposits (i.e fixed and cancellable 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.

De recognition

Financial assets are de recognised 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 de recognised 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, is 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

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enter bankruptcy and default of payments are all considered indicators of impairment.

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 categorised 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.

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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.

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

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allowed.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessor

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.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This asset is not discounted.

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 nonmonetary 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 noncumulative 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.

The benefit costs and obligations under the defined benefit funds are determined separately for each fund using the projected unit credit method.

The service cost and net interest on the net defined benefit liability or asset are recognised in profit or loss.

Where the benefits of a plan are amended or curtailed, the change in the present value of the net defined benefit obligation relating to past service by the employees is recognised in profit or loss in the period of the amendment.

Past service costs are recognised immediately.

Re measurements of the net defined benefit liability or asset, comprising actuarial gains and losses, the effect of changes in the asset ceiling where applicable, and the return on the plan assets other than interest are recognised in other comprehensive income in the period in which they arise.

The post- benefit obligation recognised in the statement of financial position represents the present value

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of the defined benefit obligation less the fair value of any plan assets. An asset resulting from this calculation is recognised only to the extent of any economic benefits available to the Post Office in the form of refunds or reductions in the future contributions (asset ceiling).

Actuarial gains or determined through annual actuarial valuations by independent consulting actuaries using the projected unit credit method and re measurements recognised as stated above.

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
  - 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.

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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.

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:
(i) to deliver cash or another financial asset to another entity; or
(ii) 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.

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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.

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 noncurrent 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 nonmonetary 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;

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- 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.

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 occurring 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 us-

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ing the closing rate;

- nonmonetary 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
- nonmonetary 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 nonmonetary 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 nonmonetary 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 Related parties

As per IAS 24, the annual 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 Post Office 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 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.

1.22 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 annual financial statements. Management expects these capital commitments to be financed from internally generated cash and other borrowings.

1.23 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised 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.

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1.24 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 company 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 is recorded in the notes to the consolidated annual 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 is provided in the notes. Irregular expenditure is deducted 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 is de-recognised when the receivable is settled or subsequently written off as irrecoverable.

1.25 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 annual 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 annual 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 adjusts the amounts recognised in its consolidated annual financial statements to reflect adjusting events after the reporting period in terms of IAS 8.

The company discloses the date when the consolidated annual financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the annual 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 updates 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 annual financial statements. Accordingly, the company discloses 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.

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2. New Standards and Interpretations

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of

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the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.

- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's annual financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of- use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The group expects to adopt the standard for the first time in the 2020 separate and consolidated annual financial statements. It is unlikely that the standard will have a material impact on the group's separate and consolidated annual financial statements.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The group expects to adopt the amendment for the first time in the 2019 separate and consolidated annual financial statements.

The impact of this amendment is currently being assessed.

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 de recognition, 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 amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

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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 01 January 2018.

The group expects to adopt the standard for the first time in the 2019 separate and consolidated annual 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 rec-

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ognises 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.

The effective date of the standard is for years beginning on or after 01 January 2018.

The group expects to adopt the standard for the first time in the 2019 separate and consolidated annual financial statements. The impact of this standard is currently being assessed.

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The group has adopted the amendment for the first time in the 2018 separate and consolidated annual financial statements. The impact of the amendment is set out in note 53 Changes in Accounting Policy.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the group:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the group will have sufficient taxable profit in future periods. The group is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The group has adopted the amendment for the first time in the 2018 separate and consolidated annual financial statements. The impact of the amendment is set out in note 53 Changes in Accounting Policy.

Notes to the Consolidated Financial Statements

3. Property, plant and equipment

Group	**2018**			**2017**		
	Cost or re-valuation	**Accumulated depreciation**	**Carrying value**	**Cost or re-valuation**	**Accumulated depreciation**	**Carrying value**
Assets under construction	2 616	-	2 616	1 167	-	1 167
Buildings	1 481 822	(69 538)	1 412 284	1 509 516	(11 924)	1 497 592
Data processing equipment	475 812	(381 474)	94 338	418 345	(368 995)	49 350
Furniture and fixtures	61 210	(41 652)	19 558	61 821	(40 280)	21 541
Land	664 662	-	664 662	685 402	-	685 402
Leasehold improvements	345 025	(316 157)	28 868	348 598	(311 893)	36 705
Machinery and equipment	381 132	(322 241)	58 891	384 565	(312 673)	71 892
Motor vehicles	54 712	(29 448)	25 264	54 712	(27 693)	27 019
Site restoration	132 675	(96 603)	36 072	101 475	(91 255)	10 220
Total property, plant and equipment	**3 599 666**	**(1 257 113)**	**2 342 553**	**3 565 601**	**(1 164 713)**	**2 400 888**

Company	**2018**			**2017**		
	Cost or re-valuation	**Accumulated depreciation**	**Carrying value**	**Cost or re-valuation**	**Accumulated depreciation**	**Carrying value**
Assets under construction	2 616	-	2 616	1 167	-	1 167
Buildings	1 460 902	(69 538)	1 391 364	1 488 502	(11 924)	1 476 578
Data processing equipment	462 751	(369 827)	92 924	405 149	(357 703)	47 446
Furniture and fixtures	58 570	(39 078)	19 492	58 920	(37 465)	21 455
Land	609 574	-	609 574	630 314	-	630 314
Leasehold improvements	344 433	(315 573)	28 860	348 006	(311 314)	36 692
Machinery and equipment	353 459	(294 868)	58 591	356 869	(285 908)	70 961
Motor vehicles	33 323	(10 360)	22 963	33 323	(8 515)	24 808
Site restoration	131 076	(96 603)	34 473	98 986	(91 255)	7 731
Total property, plant and equipment	**3 456 704**	**(1 195 847)**	**2 260 857**	**3 421 236**	**(1 104 084)**	**2 317 152**

Notes to the Consolidated Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2018

	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	685 402	-	-	(20 740)	-	-	664 662
Buildings	1 497 592	8	(117)	(31 222)	-	(53 977)	1 412 284
Site restoration	10 220	32 089	(1 934)	6 492	(890)	(9 905)	36 072
Machinery and equipment	71 892	854	(418)	-	-	(13 437)	58 891
Furniture and Fittings	21 541	136	(98)	-	-	(2 021)	19 558
Motor vehicles	27 019	-	-	-	-	(1 755)	25 264
Data processing equipment	49 350	63 994	(224)	-	-	(18 782)	94 338
Leasehold improvements	36 705	-	(1)	-	-	(7 836)	28 868
Assets under construction	1 167	4 110	-	(2 661)	-	-	2 616
Total property, plant and equipment	**2 400 888**	**101 191**	**(2 792)**	**(48 131)**	**(890)**	**(107 713)**	**2 342 553**

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Retirements	Transfers	Change in estimate	Revaluation	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	191 377	-	(509)	435	-	494 099	-	685 402
Buildings	494 485	4 919	(936)	2 483	-	1 020 230	(23 589)	1 497 592
Site restoration	15 274	703	(115)	-	(3 118)	-	(2 524)	10 220
Machinery and equipment	89 894	91	(2 884)	-	-	-	(15 209)	71 892
Furniture and Fittings	23 725	-	(109)	-	-	-	(2 075)	21 541
Motor vehicles	29 010	-	(45)	-	-	-	(1 946)	27 019
Data processing equipment	72 412	11 418	(183)	-	-	-	(34 297)	49 350
Leasehold improvements	48 038	-	(77)	55	-	-	(11 311)	36 705
Assets under construction	3 594	111	-	(2 538)	-	-	-	1 167
Total property, plant and equipment	**967 809**	**17 242**	**(4 858)**	**435**	**(3 118)**	**1 514 329**	**(90 951)**	**2 400 888**

Notes to the Consolidated Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2018

	Opening balance	Additions	Retire-ments	Transfers	Change in estimate	Deprecia-tion	Total
	R '000	**R '000**	**R '000**	**R '000**	**R '000**	**R '000**	**R '000**
Land	630 314	-	-	(20 740)	-	-	609 574
Buildings	1 476 578	8	(116)	(31 129)	-	(53 977)	1 391 364
Site restoration	7 731	32 089	(1 934)	-	6 492	(9 905)	34 473
Machinery and equipment	70 961	854	(260)	-	-	(12 964)	58 591
Furniture and Fittings	21 455	136	(97)	-	-	(2 002)	19 492
Motor vehicles	24 808	-	-	-	-	(1 845)	22 963
Data processing equipment	47 446	63 908	(211)	-	-	(18 219)	92 924
Leasehold improvements	36 692	-	(1)	-	-	(7 831)	28 860
Assets under construction	1 167	4 110	-	(2 661)	-	-	2 616
Total property, plant and equipment	**2 317 152**	**101 105**	**(2 619)**	**(54 530)**	**6 492**	**(106 743)**	**2 260 857**

Notes to the Consolidated Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2017

	Opening balance	Additions	Retire-ments	Transfers	Revalua-tion	Deprecia-tion	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Land	188 888	-	(509)	436	441 499	-	630 314
Buildings	492 467	4 919	(936)	2 483	998 449	(20 804)	1 476 578
Site restoration	12 670	-	(2 415)	-	-	(2 524)	7 731
Machinery and equipment	88 269	91	(2 871)	-	-	(14 528)	70 961
Data processing equipment	23 587	-	(108)	-	-	(2 024)	21 455
Motor vehicles	26 657	-	-	-	-	(1 849)	24 808
Data processing equipment	69 681	11 418	(177)	-	-	(33 476)	47 446
Leasehold improvements	47 993	-	(77)	55	-	(11 279)	36 692
Assets under construction	3 594	111	-	(2 538)	-	-	1 167
Total property, plant and equipment	**953 806**	**16 539**	**(7 093)**	**436**	**1 439 948**	**(86 484)**	**2 317 152**

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.

Borrowing costs capitalised

There were no borrowing costs that required capitalisation during the period.

Notes to the Consolidated Financial Statements

3. Property, plant and equipment (continued)

Fair value

Land and buildings are carried at revaluation model, the fair values were obtained from an independent valuer.

Further disclosure on fair value information as it relates to land and buildings is provided in note 53.

	Group		Company	
	2018	2017	2018	2017
	R '000	R '000	R '000	R '000
Fair values of land and buildings	2 300 836	2 301 905	2 224 734	2 225 803

Properties not recognised at year end

During the split of Post Office and Telkom, some assets were not allocated to either of the entities. An assessment to determine the Post Office's interest in these assets is underway. It was impractical for Post Office to quantify the value of these assets as at year end.

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 carrying value would be as follows:

Notes to the Consolidated Financial Statements

Group and company reconciliation - 2018	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000
Buildings	90 502	(27 677)	62 825
Data processing equipment	180	(180)	-
Furniture and fixtures	206	(206)	-
Leasehold improvements	275 963	(275 075)	888
Machinery and equipment	103 344	(72 280)	31 064
Motor vehicles	490	(490)	-
Total property, plant and equipment by means of Government grants	**470 685**	**(375 908)**	**94 777**

Group and company reconciliation - 2017	Cost	Accumulated depreciation	Carrying value
Buildings	90 502	(26 702)	63 800
Data processing equipment	180	(180)	-
Furniture and fittings	206	(206)	-
Leasehold improvements	275 963	(275 075)	888
Machinery and equipment	103 344	(72 280)	31 064
Motor vehicles	490	(490)	-
Total property, plant and equipment by means of Government grants	**470 685**	**(374 933)**	**95 752**

Notes to the Consolidated Financial Statements

4. Investment property

Group

	2018 Cost / Valuation	2018 Accumulated depreciation	2018 Carrying value	2017 Cost / Valuation	2017 Accumulated depreciation	2017 Carrying value
Investment property	203 684	-	203 684	149 155	-	149 155

Company

	2018 Cost / Valuation	2018 Accumulated depreciation	2018 Carrying value	2017 Cost / Valuation	2017 Accumulated depreciation	2017 Carrying value
Investment property	191 637	-	191 637	137 108	-	137 108

Reconciliation of investment property - Group 2018

	Opening balance	Transfers	Total
Investment property	149 155	54 529	203 684

Reconciliation of investment property - Group 2017

	Opening balance	Disposals	Transfers	Depreciation	Fair value adjustments	Total
Investment property	43 086	(21)	(435)	(716)	107 241	149 155

Reconciliation of investment property - Company 2018

	Opening balance	Transfers	Total
Investment property	137 108	54 529	191 637

Reconciliation of investment property - Company 2017

	Opening balance	Disposals	Transfers	Depreciation	Fair value adjustments	Total
Investment property	39 858	(21)	(435)	(917)	98 623	137 108

Investment property is measured using the fair value model.

	2018	2017	2018	2017
	R '000	R '000	R '000	R '000
Fair value of investment properties	203 684	149 155	191 637	137 108

The fair values of investment properties were obtained from an independent valuer.

Further disclosure on fair value information as it relates to investment property is provided in note 53 below.

Notes to the Consolidated Financial Statements

4. Investment property (continued)

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 carrying value would be as follows:

Group and company reconciliation - 2018	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000
Investment property	217	(62)	155

Group and company reconciliation - 2017	Cost	Accumulated depreciation	Carrying value
	R '000	R '000	R '000
Investment property	217	(57)	160

Notes to the Consolidated Financial Statements

5. Heritage assets

Group	**2018**			**2017**		
	Cost / Valuation	**Accu-mulated deprecia-tion**	**Carrying value**	**Cost / Valuation**	**Accu-mulated deprecia-tion**	**Carrying value**
Documents	259	-	259	259	-	259
Other assets	1 433	-	1 433	1 433	-	1 433
Philatelic stationery	510	-	510	510	-	510
Stamps	36 348	-	36 348	36 348	-	36 348
Works of art	7 697	-	7 697	7 697	-	7 697
Total heritage assets	**46 247**	**-**	**46 247**	**46 247**	**-**	**46 247**

Company	**2018**			**2017**		
	Cost / Valuation	**Accu-mulated deprecia-tion**	**Carrying value**	**Cost / Valuation**	**Accu-mulated deprecia-tion**	**Carrying value**
Documents	259	-	259	259	-	259
Other assets	1 433	-	1 433	1 433	-	1 433
Philatelic stationery	510	-	510	510	-	510
Stamps	36 348	-	36 348	36 348	-	36 348
Works of art	7 697	-	7 697	7 697	-	7 697
Total heritage assets	**46 247**	**-**	**46 247**	**46 247**	**-**	**46 247**

Reconciliation of heritage assets - Group - 2018

	Opening balance	**Total**
Documents	259	259
Other assets	1 433	1 433
Philatelic stationery	510	510
Stamps	36 348	36 348
Works of art	7 697	7 697
	46 247	**46 247**

Notes to the Consolidated Financial Statements

5. Heritage assets (continued)

Reconciliation of heritage assets - Group - 2017

	Opening balance	Total
Documents	259	259
Other assets	1 433	1 433
Philatelic stationery	510	510
Stamps	36 348	36 348
Works of art	7 697	7 697
Total heritage assets	**46 247**	**46 247**

Valuations

Fair value revaluations are made at intervals such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The last valuation was performed at 31 March 2017. The revaluation was performed by independent valuers that are not connected to the group.

The valuation was based on current market values and no discount rates were used.

Other information

In terms of the ICASA license agreement, the Post Office 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	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	383 770	(321 650)	62 120	370 141	(290 246)	79 895
Intangible assets under development	60 310	-	60 310	57 721	-	57 721
Total intangible assets	**444 080**	**(321 650)**	**122 430**	**427 862**	**(290 246)**	**137 616**

Company	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Computer software	380 396	(318 276)	62 120	366 767	(286 877)	79 890
Intangible assets under development	60 310	-	60 310	57 721	-	57 721
Total intangible assets	**440 706**	**(318 276)**	**122 430**	**424 488**	**(286 877)**	**137 611**

Reconciliation of intangible assets - Group - 2018

	Opening balance	Additions	Transfers	Amortisation	Closing balance
	R '000	R '000	R '000	R '000	R '000
Computer software	79 895	10 756	2 914	(31 445)	62 120
Intangible assets under development	57 721	5 503	(2 914)	-	60 310
Total intangible assets	**137 616**	**16 259**	**-**	**(31 445)**	**122 430**

Reconciliation of intangible assets - Group - 2017

	Opening balance	Additions	Retirements	Amortisation	Closing balance
	R '000	R '000	R '000	R '000	R '000
Computer software	78 638	34 217	(428)	(32 532)	79 895
Intangible assets under development	54 806	2 915	-	-	57 721
Total intangible assets	**133 444**	**37 132**	**(428)**	**(32 532)**	**137 616**

6. Intangible assets (continued)

Reconciliation of intangible assets - Company - 2018

	Opening balance	Additions	Transfers	Amortisation	Closing balance
	R '000	R '000	R '000	R '000	R '000
Computer software	79 890	10 755	2 914	(31 439)	62 120
Intangible assets under development	57 721	5 503	(2 914)	-	60 310
Total intangible assets	**137 611**	**16 258**	**-**	**(31 439)**	**122 430**

Reconciliation of intangible assets - Company - 2017

	Opening balance	Additions	Retirements	Amortisation	Closing balance
	R '000	R '000	R '000	R '000	R '000
Computer software	78 590	34 217	(385)	(32 532)	79 890
Intangible assets under development	54 806	2 915	-	-	57 721
Total intangible assets	**133 396**	**37 132**	**(385)**	**(32 532)**	**137 611**

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 period.

Other information

There were no impairments of intangible assets during the year.

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 - 2018	Cost	Accumulated amortisation	Carrying value
	R '000	R '000	R '000
Computer software	249 220	(249 220)	-

Group and company reconciliation - 2017	Cost	Accumulated amortisation	Carrying value
	R '000	R '000	R '000
Computer software	249 220	(249 220)	

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 2018	% holding 2017
The Courier and Freight Botswana (Pty) Ltd - In deregistration process	The Courier and Freight Group (Pty) Ltd	100,00 %	100,00 %
The Courier and Freight Namibia (Pty) Ltd - In deregistration process	The Courier and Freight Group (Pty) Ltd	100,00 %	100,00 %
Postbank SOC Limited (registered 1April 2017) *	South African Post Office (SOC) Limited	100,00 %	100,00 %

* Postbank has been accounted for as a division of Post Office in this set of financial statements. However as part of supporting the application for the banking license, a separate entity Postbank SOC Limited has been registered with its own board of directors.

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 incorpora-tion	Principal Activities	% holding 2018	% holding 2017	Carrying amount 2018 R '000	Carrying amount 2017 R '000
Sapos Properties (Bloemfontein)(Pty Ltd	South Africa	Renting of properties	100,00 %	100,00 %	1 314	1 314
Sapos Properties (Cape Town) (Pty) Ltd	South Africa	Renting of properties	100,00 %	100,00 %	5 976	5 976
Sapos Properties (East Rand) (Pty) Ltd	South Africa	Renting of properties	100,00 %	100,00 %	14 358	14 358
Sapos Properties (PE) (Pty) Ltd	South Africa	Renting of properties	100,00 %	100,00 %	1 885	1 885
Sapos Properties (Rossburgh) (Pty) Ltd	South Africa	Renting of properties	100,00 %	100,00 %	8 564	8 564

Notes to the Consolidated Financial Statements

7. Investments in subsidiaries (continued)

Name of company	Place of incorporation	Principal Activities	% holding 2018	% holding 2017	Carrying amount 2018 R '000	Carrying amount 2017 R '000
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	100,00 %	100,00 %	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 %	-	-
		-	-	-	33 150	33 150
Impairment of investment in subsidiaries	-	-	-		(1 217)	(1 217)
Total investment in subsidiaries net of impairment					**31 933**	**31 933**

*Truebill (Pty) Ltd remains dormant.

The investments in subsidiary companies listed above are unlisted.

Notes to the Consolidated Financial Statements

8. Inter group loans and receivables

	Group		Company	
	2018	2017	2018	2017
	R '000	R '000	R '000	R '000
Loans				
Sapos Properties (Bloemfontein) (Pty) Ltd	-	-	56	-
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (Cape Town) (Pty) Ltd	-	-	212	-
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (East Rand) (Pty) Ltd	-	-	93	-
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (Port Elizabeth) (Pty) Ltd	-	-	401	-
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Sapos Properties (Rossburgh) (Pty) Ltd	-	-	1 188	-
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	-	-	77 802	77 802
This loan is interest free and has no fixed terms of repayment. The full amount has been impaired.				
Total loans	**-**	**-**	**299 074**	**297 124**
Impairment of loans	-	-	(297 124)	(297 124)
Total loans net of impairment	**-**	**-**	**1 950**	**-**

The property companies do not have a separate bank account, the loan amounts arose as a result of transactions which Post Office administered on behalf of the companies.

All the above loans are interest free, have no fixed terms of repayment. The loans have been fully impaired except for those held with property companies.

The South African Post Office (SOC) Limited does not anticipate the recovery of the above mentioned loans within the next 12 months.

Notes to the Consolidated Financial Statements

8. Inter group loans and receivables (continued)

	Group		Company	
	2018	**2017**	**2018**	**2017**
	R '000	**R '000**	**R '000**	**R '000**
Receivables				
The Courier and Freight Group (Pty) Ltd	-	-	393 652	392 257
Total long term receivables	**-**	**-**	**393 652**	**392 257**
Impairment of long term receivables	-	-	(392 257)	(392 257)
Total long term receivables net of impairment	**-**	**-**	**1 395**	**-**

All the long term receivables above accrue interest at the prime rate.

The Post Office 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 generate profits.

Fair value of inter group loans and long term receivables

The fair value of the inter group loans and long term receivables was calculated as the cost less accumulated impairments.

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 management may impair the amount. At 31 March 2018, R3,3 million (2017: R0) were past due but not impaired.

Intergroup loans and long term receivables impaired

As of 31 March 2018, inter group loans and receivables of R0 million (2017: R689 million) were impaired and provided for. The ageing of these loans is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	R '000	**R '000**	**R '000**	**R '000**
Over 1 year	-	-	-	689 153

Notes to the Consolidated Financial Statements

8. Inter group loans and receivables (continued)

Reconciliation of provision for impairment of inter group loans and long term receivables

	Group		Company	
	2018	2017	2018	2017
	R '000	R '000	R '000	R '000
Opening balance	-	-	689 153	641 182
Provision for impairment	-	-	-	47 971
Total provision for impairment	**-**	**-**	**689 153**	**689 153**

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 31). 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

9. Other financial assets

	Group		Company	
	2018	**2017**	**2018**	**2017**
	R '000	**R '000**	**R '000**	**R '000**
At fair value through profit or loss				
Investments at fair value: Post Retirement Medical Aid	1 064 970	997 565	1 064 970	997 565
Available-for-sale				
Negotiable Certificates of Deposit	1 729 576	1 904 136	1 729 576	1 904 136
Promissory Notes	591 927	663 299	591 927	663 299
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	113 514	103 388	113 514	103 388
Total available-for-sale	**2 435 017**	**2 670 823**	**2 435 017**	**2 670 823**
Held to maturity				
Fixed Deposits	2 418 353	2 242 726	2 408 553	2 242 726
Total other financial assets	**5 918 340**	**5 911 114**	**5 908 540**	**5 911 114**
Noncurrent assets				
At fair value through profit or loss	747 232	688 880	747 232	688 880
Available-for-sale	113 514	103 388	113 514	103 388
Total noncurrent assets	**860 746**	**792 268**	**860 746**	**792 268**
Current assets				
At fair value through profit or loss	317 738	308 685	317 738	308 685
Available-for-sale	2 321 503	2 567 435	2 321 503	2 567 435
Held-to-maturity	2 418 353	2 242 726	2 408 553	2 242 726
Total current assets	**5 057 594**	**5 118 846**	**5 047 794**	**5 118 846**
Investment balances held by the entity that are not available for use by the group.	4 739 856	4 810 161	4 730 056	4 810 161

The group owns an equity stake of 10 Ordinary shares in Ithuba Holdings (Pty) Ltd which represents 5,00% holding. The fair value of the shares was determined by the Post Office management to be zero at year end. The shares were allocated to the Post Office by the Department of Trade and Industry.

Notes to the Consolidated Financial Statements

9. Other financial assets (continued)

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

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 16.

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).

	Group		Company	
	2018	2017	2018	2017
	R '000	R '000	R '000	R '000
Level 1				
Local bonds	273 336	247 532	273 336	247 532
Local equity	477 648	460 380	477 648	460 380
Foreign bonds	-	5 403	-	5 403
Total level 1	**750 984**	**713 315**	**750 984**	**713 315**
Level 2				
Local and foreign investments & NCD's	313 987	284 249	313 987	284 249
Total level 1 and 2	**1 064 971**	**997 564**	**1 064 971**	**997 564**
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	1 064 971	997 564	1 064 971	997 564

Notes to the Consolidated Financial Statements

9. Other financial assets (continued)

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.

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 annual 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		Company	
	2018	2017	2018	2017
	R '000	R '000	R '000	R '000
Level 2				
Negotiable Certificates of Deposit	1 729 576	1 904 136	1 729 576	1 904 136
Promissory Notes	591 927	663 299	591 927	663 299
Total level 2	**2 321 503**	**2 567 435**	**2 321 503**	**2 567 435**
Level 3				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	113 514	103 388	113 514	103 388
	2 435 017	**2 670 823**	**2 435 017**	**2 670 823**
Transfers out of level 2				
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	-	-	-	-

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.

There were no transfers in or out of Level 3 during the current year.

Notes to the Consolidated Financial Statements

9. Other financial assets (continued)

Reconciliation of available-for-sale financial assets measured at level 3

Reconciliation of available-for-sale financial assets measured at level 3 - Group - 2018

	Opening balance	Gains or losses in other comprehensive income	Closing balance
	R'000	R'000	R'000
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	103 388	10 126	113 514

Reconciliation of available-for-sale financial assets measured at level 3 - Company - 2018

	Opening balance	Gains or losses in other comprehensive income	Closing balance
	R'000	R'000	R'000
Unlisted shares - Centriq Insurance Innovation (Pty) Ltd	103 388	10 126	113 514

Post Office 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 Post Office.

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 2018, 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

	Group		Company	
	2018	2017	2018	2017
	R '000	R '000	R '000	R '000
Fixed deposits	2 418 353	2 242 726	2 408 553	2 242 726

Management believes that the carrying amounts of the above mentioned assets 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 2018 and 2017, 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	
	2018	**2017**	**2018**	**2017**
	R '000	**R '000**	**R '000**	**R '000**
Noncurrent assets	4 202	4 703	4 052	3 733
Current assets	293	141	274	107
Noncurrent liabilities	(41 088)	(69 200)	(40 808)	(69 004)
Current liabilities	(4 155)	(11 019)	(4 079)	(10 964)
Net operating lease accrual	**(40 748)**	**(75 375)**	**(40 561)**	**(76 128)**

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 40 for the future minimum payments.

Notes to the Consolidated Financial Statements

11. Retirement benefit obligation

	Group 2018	Group 2017	Company 2018	Company 2017
	R '000	R '000	R '000	R '000
Post retirement benefits				
Retirement benefit asset	35 551	32 173	35 551	32 173
Present value - noncurrent liability	(1 272 143)	(1 202 166)	(1 272 143)	(1 202 166)
Present value - current liability	(155 229)	(136 294)	(155 229)	(136 294)
	(1 391 821)	**(1 306 287)**	**(1 391 821)**	**(1 306 287)**

Post Retirement benefit

Group 2018	Post retire-ment tele-phone subsidy R '000	Post-retire-ment medical aid subsidy R '000	Provident Fund R '000	Pension fund R '000	Total R '000
Present value of obligation					
Balance at the beginning of the year	4 153	1 335 124	1 790	5 558 781	6 899 848
Service cost	-	-	-	1 444	1 444
Finance expense	364	123 352	131	541 643	665 490
Benefits paid	(409)	(141 083)	(291)	(540 141)	(681 924)
Transfers	-	-	-	116 795	116 795
Actuarial (gain)/ loss	(649)	106 451	(81)	45 675	151 396
Present value of obligation at end of the year	**3 459**	**1 423 844**	**1 549**	**5 724 197**	**7 153 049**
Present value of assets					
Balance at the beginning of the year	-	-	34 121	6 268 510	6 302 631
Expected return on assets	-	-	2 709	613 570	616 279
Contributions received	-	-	-	2 072	2 072
Transfers	-	-	-	116 795	116 795
Benefits paid	-	-	(290)	(540 141)	(540 431)
Actuarial gains / losses	-	-	560	(71 269)	(70 709)
Present value of assets at end of the year	**-**	**-**	**37 100**	**6 389 537**	**6 426 637**
Net present value (obligation) / asset					
Present value obligation	(3 459)	(1 423 844)	(1 549)	(5 724 196)	(7 153 048)
Present value assets	-	-	37 100	6 389 537	6 426 637
(Deficit)/ surplus	(3 459)	(1 423 844)	35 551	665 341	(726 411)
Asset ceiling	-	-	-	(665 341)	(665 341)
Net present (obligation) / asset	**(3 459)**	**(1 423 844)**	**35 551**	**-**	**(1 391 752)**

Included in other financial assets is a post retirement medical aid asset of R1,065 billion (2017: R998 million) to support the post retirement medical aid liability. Refer to note 9.

Notes to the Consolidated Financial Statements

11. Retirement benefit obligation (continued)

Group 2017	Post retirement telephone subsidy R '000	Post- retirement medical aid subsidy R '000	Provident Fund R '000	Pension fund R '000	Total R '000
Present value of obligation					
Opening balance at beginning of the year	3 555	1 393 210	2 684	5 212 676	6 612 125
Service cost	-	-	-	1 190	1 190
Finance expense	304	131 104	191	517 627	649 226
Benefits Paid	(505)	(135 247)	(1 039)	(497 253)	(634 044)
Transfers	-	-	-	391 148	391 148
Actuarial (gains) / Losses	799	(53 943)	(45)	(23 936)	(77 125)
Present value of obligation at end of the year	**4 153**	**1 335 124**	**1 791**	**5 601 452**	**6 942 520**
Present value of assets					
Opening balance at the beginning of the year	-	-	17 800	5 955 829	5 973 629
Expected return on assets	-	-	1 567	592 290	593 857
Contribution received	-	-	-	2 573	2 573
Transfers	-	-	-	391 148	391 148
Benefits paid	-	-	(836)	(497 253)	(498 089)
Actuarial gains / (losses)	-	-	15 590	(176 077)	(160 487)
Present value of asset at end of the year	**-**	**-**	**34 121**	**6 268 510**	**6 302 631**
Net present value (obligation) / asset					
Present value obligation	(4 153)	(1 335 124)	(1 791)	(5 601 452)	(6 942 520)
Present value asset	-	-	34 121	6 268 510	6 302 631
(Deficit) / surplus	**(4 153)**	**(1 335 124)**	**32 330**	**667 058**	**(639 889)**
Asset ceiling	-	-	-	(667 058)	(667 058)
Net present (obligation) / asset	**(4 153)**	**(1 335 124)**	**32 330**	**-**	**(1 306 947)**

Included in other financial assets is a post retirement medical aid asset of R1,065 billion (2017: R998 million) to support the post retirement medical aid liability. Refer to note 9.

Company 2018	Post retirement telephone sub-sidy R '000	Post retirement medical subsidy R '000	Provident fund R '000	Retire-ment fund R '000	Total R '000
Present value of obligation					
Balance at beginning of the year	4 153	1 335 124	1 790	5 558 781	6 899 848
Service cost	-	-	-	1 444	1 444
Finance expense	364	123 352	131	541 643	665 490
Benefits paid	(409)	(141 083)	(291)	(540 141)	(681 924)
Transfers	-	-	-	116 795	116 795
Actuarial (gains) losses	(649)	106 451	(81)	45 675	151 396
Present value of obligation at end of year	**3 459**	**1 423 844**	**1 549**	**5 724 197**	**7 153 049**

Notes to the Consolidated Financial Statements

11. Retirement benefit obligation (continued)

Company 2017	Post retirement telephone subsidy R '000	Post retirement medical subsidy R '000	Provident fund R '000	Retirement fund R '000	Total R '000
Present value of assets					
Balance at the beginning of the year	-	-	34 121	6 268 510	6 302 631
Expected return on asset	-	-	2 709	613 570	616 279
Contribution received	-	-	-	2 072	2 072
Transfers	-	-	-	116 795	116 795
Benefits paid	-	-	(290)	(540 141)	(540 431)
Actuarial (Gain) / (Loss)	-	-	560	(71 269)	(70 709)
Present value of asset at end of the year	**-**	**-**	**37 100**	**6 389 537**	**6 426 637**
Net present value (obligation) / asset					
Present value of obligation	(3 459)	(1 423 844)	(1 549)	(5 724 196)	(7 153 048)
Present value of asset	-	-	37 100	6 389 537	6 426 637
(Deficit) / surplus	**(3 459)**	**(1 423 844)**	**35 551**	**665 341**	**(726 411)**
Asset ceiling	-	-	-	(665 341)	(665 341)
Net present (obligation) / asset	**(3 459)**	**(1 423 844)**	**35 551**	**-**	**(1 391 752)**

Included in other financial assets is a post retirement medical aid asset of R1,065 billion (2017: R998 million) to support the post retirement medical aid liability. Refer to note 9.

Present value of obligation					
Balance at beginning of the year	3 555	1 392 767	2 684	5 212 676	6 611 682
Service cost	-	-	-	1 190	1 190
Finance expense	304	131 104	191	517 627	649 226
Benefits paid	(505)	(135 247)	(1 039)	(497 253)	(634 044)
Transfers	799	-	-	391 148	391 947
Actuarial (gains) / losses	-	(53 943)	(45)	(23 936)	(77 924)
Present value of obligation at end of the year	**4 153**	**1 334 681**	**1 791**	**5 601 452**	**6 942 077**
Present value of asset					
Balance at beginning of the year	-	-	17 800	5 955 829	5 973 629
Expected return on assets	-	-	1 567	592 290	593 857
Contribution received	-	-	-	2 573	2 573
Transfers	-	-	-	391 148	391 148
Benefits paid	-	-	(836)	(497 253)	(498 089)
Actuarial gain / (loss)	-	-	15 590	(176 077)	(160 487)
Present value of asset at end of the year	**-**	**-**	**34 121**	**6 268 510**	**6 302 631**

Notes to the Consolidated Financial Statements

11. Retirement benefit obligation (continued)

Net present value (obligation) / liability

Company 2017	Post retirement telephone subsidy R '000	Post retirement medical subsidy R '000	Provident fund R '000	Retirement fund R '000	Total R '000
Present value of obligation	(4 153)	(1 335 124)	(1 791)	(5 601 452)	(6 942 520)
Present value of asset	-	-	34 121	6 268 510	6 302 631
(Deficit) / surplus	**(4 153)**	**(1 335 124)**	**32 330**	**667 058**	**(639 889)**
Asset ceiling	-	-	-	(667 058)	(667 058)
Net present (obligation) / asset	**(4 153)**	**(1 335 124)**	**32 330**	**-**	**(1 306 947)**

Included in other financial assets is a post retirement medical aid asset of R1,065 billion (2017: R998 million) to support the post retirement medical aid liability. Refer to note 9.

Post retirement telephone subsidy				
The amounts reorganised in profit and loss:				
Finance expense	364	304	364	304
The amounts recognised in other comprehensive income (OCI):				
Re measurements of post retirement telephone subsidy (actuarial (gains) / losses)				
Changes in assumptions	26	(15)	26	(15)
Experience adjustment	(675)	814	(675)	814
	(285)	**1 103**	**(285)**	**1 103**

The group has undertaken to pay the telephone accounts for certain retired employees and their surviving spouses 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 arises

The PA(90) mortality table was used to determine post retirement mortality, and there is no service cost as the liability only relates to pensioners and the liability is fully accrued. Allowance was made in the calculation for inflationary increases in respect of the subsidy.

Actuarial Assumptions				
Discount rate	8,25 %	9,16 %	8,25 %	9,16 %
Long term price inflation	5,90 %	6,65 %	5,90 %	6,65 %
Post retirement medical subsidy				
The amounts recognised in profit and loss:				
Interest cost	123 352	131 104	123 352	131 104
The amounts recognised in other comprehensive income (OCI):				
Re measurements of post retirement medical subsidy (actuarial (gains) / losses)				
Change in assumptions	59 773	(54 889)	59 773	(54 889)
Experience adjustment	46 678	956	46 678	956
	229 803	**77 171**	**229 803**	**77 171**

Notes to the Consolidated Financial Statements

11. Retirement benefit obligation (continued)

During the 2008/2009 financial period, R456,8 million worth of assets were transferred to the Post Office 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 Post Office's Post Retirement Medical Aid (PRMA) liability and have consequently been ear-marked and invested according to a specific unique investment mandate.

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 Post Office after 2005 will also receive medical aid benefits as part of the Defined Benefit Plan.

The PA(90) mortality table was used to determine post retirement mortality, and there is no service cost as the liability only relates to pensioners, thus the liability is fully accrued. Allowance was made in the calculations for the liabilities of the Post Office to increase in line with medical inflation. For CFG pensioners with a fixed subsidy, we it was assumed that no future increases will occur. Should any increases in the fixed subsidy be implemented in future, this liability will increase.

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	R '000	**R '000**	**R '000**	**R '000**
Actuarial Assumptions				
Discount rate	8,88 %	9,75 %	8,88 %	9,75 %
Medical inflation increase rate	7,90 %	8,20 %	7,90 %	8,20 %
Long term price inflation	6,40 %	6,70 %	6,40 %	6,70 %
Provident fund				
The amounts recognised in profit and loss:				
Net interest cost / (income)	(2 578)	(1 331)	(2 578)	(1 331)
The amounts recognised in other comprehensive income (OCI):				
Re measurements of provident fund (actuarial (gains) / losses)				
Change in assumptions	(5)	(13)	(5)	(13)
Experience adjustment	86	59	86	59
	(2 497)	**(1 285)**	**(2 497)**	**(1 285)**

Notes to the Consolidated Financial Statements

11. Retirement benefit obligation (continued)

The Post Office 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 Post Office.

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 Post Office 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 Post Office met the balance of cost of financing the benefits provided by the fund. The Employer Surplus Reserve is available to fund future deficits should they arise

The SA85-90 (Light) table was used to determine pre-retirement mortality. This is a table reflecting mortality experience in South Africa. A retirement age of 59 years was assumed, and for employees currently over age 59, the immediate value of the benefit was provided for. The accounting standard requires that the liabilities are valued using the Projected Unit Credit Method. This method was therefore used to value the liabilities. The service in respect of the leave days was fully accrued for.

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	R '000	**R '000**	**R '000**	**R '000**
Actuarial Assumptions				
Discount rate	7,13 %	7,97 %	7,13 %	7,97 %
Expected return on plan assets	7,13 %	7,97 %	7,13 %	7,97 %
Long term price inflation	5,19 %	4,95 %	5,19 %	4,95 %
Pension fund				
The amounts recognised in profit and loss:				
Service cost	1 444	1 190	1 444	1 190
Net interest income	-	-	-	-
Re measurements of post retirement fund (actuarial (gains) / losses)				
Changes in assumptions	(214 393)	151 089	(214 393)	151 089
Experience adjustment	168 719	(84 482)	168 719	(84 482)
Re measurement of asset				
Asset ceiling	665 341	709 729	665 341	709 729
	621 111	**777 526**	**621 111**	**777 526**

Notes to the Consolidated Financial Statements

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 Post Office 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 Post Office Act (Act No 44 of 1958, as amended), the financial obligations of the Post Office retirement fund in respect of its defined benefit members and pensioners are guaranteed by the Post Office whilst the Government of the Republic of South Africa in turn guarantees the obligations of the Post Office 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

The PA(90) mortality table was used to determine post retirement mortality.

Given the small number of active DB members and their age profile, no specific allowance for withdrawals was made. This implies that the actuarial reserve value is available to provide benefits on voluntary exit and retrenchment. It was assumed, on average, that active members will retire early at age 59 (the normal retirement age of the remaining active defined benefit members is 65 years). The accounting standard requires that the liabilities are valued using the Projected Unit Credit Method, and this method was therefore applied.

The Fund provides benefits of both Defined Benefit and Defined Contribution nature. The liability in respect of active defined benefit members was based on the actual past service of Members in the active service of the Company. The liability in respect of current pensioners is fully accounted for.

The liabilities, assets and reserve accounts relating to the Defined Contribution section of the fund were excluded from the valuation. In aggregate, these liabilities (and assets) amount to approximately R8 billion.

Notes to the Consolidated Financial Statements

11. Retirement benefit obligation (continued)

	Group 2018	2017	Company 2018	2017
	R '000	R '000	R '000	R '000
Actuarial assumptions				
Discount rate	9,37 %	10,12 %	9,37 %	10,12 %
Expected return on plan assets	9,37 %	10,12 %	9,37 %	10,12 %
Long term plan inflation	6,79 %	7,14 %	6,79 %	7,14 %

12. Deferred tax

	Group 2018	2017	Company 2018	2017
Deferred tax liability				
Fixed assets	(18 538)	(18 538)	-	-
Trade and other payables	(27)	(271)	-	-
Total deferred tax liability	**(18 565)**	**(18 809)**	**-**	**-**
Deferred tax asset				
Tax loss	303	265	-	-
Deferred tax liability	(18 565)	(18 809)	-	-
Deferred tax asset	303	265	-	-
Total net deferred tax (liability) asset	**(18 262)**	**(18 544)**	**-**	**-**
Reconciling deferred tax asset / (liability)				
At beginning of year	(18 511)	568	-	-
Increases (decrease) in tax loss available for set off against future taxable income - gross of valuation allowance	5	191	-	
Temporary difference on trade and other payables	277	(112)	-	-
Temporary difference on fixed assets	-	(19 191)	-	-
	(18 229)	**(18 544)**	**-**	**-**