# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Discount Rate** | | | | |
| 1% increase | | 723,00 | | 723,00 |
| Current Assumption | | 758,00 | | 758,00 |
| 1% decrease | | 797,00 | | 797,00 |
| | | | | |
| **Mortality** | | | | |
| PA(90)+1 | | 721,00 | | 721,00 |
| Current Assumption (Mortality PA(90)) | | 758,00 | | 758,00 |
| PA(90)-1 | | 795,00 | | 795,00 |
| | | | | |
| **Other assumptions** | | | | |
| Discount rate | N/A | 10.00 % | N/A | 10.00 % |
| Long-term price inflation | N/A | 6.30 % | N/A | 6.30 % |

**Post retirement medical subsidy**

During the 2008/2009 financial period, R456,8 million worth of assets were transferred to the South African Post Office (SOC) Limited as a result of the Registrar for Medical Schemes' decision on 12 November 2008.

The 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 dependents of employees who passed away whilst in the service of the South African Post Office (SOC) Limited after 2005 will also receive medical aid benefits as part of the Defined Benefit Plan.

# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **The amounts recognised in profit and loss:** | | | | |
| Interest cost | 130 241 | 128 568 | 130 241 | 128 568 |
| | | | | |
| **The amounts recognised in other comprehensive income (OCI):** | | | | |
| **Remeasurements of post retirement medical subsidy (actuarial (gains) / losses)** | | | | |
| Change in assumptions | 3 606 | 55 640 | 3 606 | 55 640 |
| Experience adjustment | (82 530) | (27 654) | (82 530) | (27 654) |
| | **51 317** | **156 554** | **51 317** | **156 554** |
| | | | | |
| **Actuarial assumptions: Post-retirement medical aid subsidy** | | | | |
| | | | | |
| These tables set out the impact on results as a consequence of changes to assumptions on the discount and post-retirement mortality rates. | | | | |
| | | | | |
| **Discount rate** | | | | |
| 1% increase | 950 569 | 1 023 723 | 950 569 | 1 023 723 |
| Current assumption | 1 012 015 | 1 089 199 | 1 012 015 | 1 089 199 |
| 1% decrease | 1 082 166 | 1 163 873 | 1 082 166 | 1 163 873 |
| | | | | |
| **Post-retirement mortality rate** | | | | |
| 1% increase | 967 670 | 1 041 529 | 967 670 | 1 041 529 |
| Current assumption | 1 012 015 | 1 089 199 | 1 012 015 | 1 089 199 |
| 1% decrease | 1 057 725 | 1 137 682 | 1 057 725 | 1 137 682 |

The assumptions used are based on statistics and market data as at 31 March 2022. The sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the average yields from the zero-coupon government bond curve with a duration of between 10 and 15 years. The recommended discount rate is 11.22%. The source is the Johannesburg Stock Exchange through Inet BFA data service.

Future inflation assumption - The general inflation assumption is used to estimate the base rate for determining the rate at which the future subsidies will increase. We have estimated the market's pricing of inflation by comparing the yields on index- linked government bonds and long-term government bonds with a duration of between 10 and 15 years. The implied inflation assumption is therefore 6.78% per annum for future inflation. We assumed that medical inflation will exceed general inflation by 1.5% per annum. The implied medical inflation assumption is therefore 8.28% per annum.

# Notes to the Financial Statements

Net discount rate - Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the gap between the two assumptions is more important. This gap is referred to as the net discount rate. The net discount rate is assumed to be 2.72% per annum (Derived from a discount rate of 11.22% and the expected salary inflation rate of 9.64%). The net discount rate was 3.54% per annum at the previous valuation.

Post-retirement mortality - The PA(90) mortality table was used. This assumption is consistent with the assumption used for the previous valuation report.

Age of spouse - The actual age of the spouse was used in the valuation. This assumption is consistent with the assumption used for the previous valuation report.

Developments since the previous valuation - There were no changes to the rules governing payment and eligibility for the post- retirement medical aid benefits since the previous valuation. As far as assumptions are concerned only the discount rate and inflation rate which are dependent on the market at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with that used at the previous valuation unless otherwise stated.

As the liability only relates to pensioners the liability is fully accrued and there is no service cost. Allowance has been made in these calculations for the liabilities of South African Post Office to increase in line with medical inflation. For CFG pensioners with a fixed subsidy, we have assumed that no future increases will occur. Should any increases in the fixed subsidy be implemented in future, this liability will increase.

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Other assumptions** | | | | |
| Discount rate | 11.22 % | 12.68 % | 11.22 % | 12.68 % |
| Medical inflation increase rate | 8.28 % | 9.64 % | 8.28 % | 9.64 % |
| Long term price inflation | 6.78 % | 6.14 % | 6.78 % | 8.14 % |

**Provident fund**

The South African Post Office (SOC) Limited provident fund (the fund) was established on 1 August 1993 to hedge the leave liability beyond a specific threshold. The fund became dormant on 1 April 2004 when all leave entitlement and salaries were capped.

In terms of a surplus apportionment scheme conducted by the fund some years ago, an Employer Surplus Reserve was created within the ambit of the fund and in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956, as amended) for the benefit of the South African Post Office (SOC) Limited.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable. The assets held by the fund are registered in the name of the fund.

As per the rules of the fund, the South African Post Office (SOC) Limited is required to meet the balance of cost of financing the benefits provided by the fund, which would include the any fund deficit. At year end, the South African Post Office (SOC) Limited met the balance of cost of financing the benefits provided by the fund. The Employer Surplus Reserve is available to fund future deficits should they arise.

# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **The amounts recognised in profit and loss:** | | | | |
| Net interest (income) / cost | (2 116) | (2 694) | (2 116) | (2 694) |
| | | | | |
| **The amounts recognised in other comprehensive income (OCI):** | | | | |
| **Remeasurements of provident fund (actuarial (gains) / losses)** | | | | |
| Change in assumptions | 1 | 4 | 1 | 4 |
| Experience adjustment | 21 | (35) | 21 | (35) |
| | **(2 094)** | **(2 725)** | **(2 094)** | **(2 725)** |
| | | | | |
| **Actuarial assumptions: Provident fund** | | | | |
| | | | | |
| These tables set out the impact on results as a consequence of changes to assumptions on the discount rate and the retirement mortality rates. | | | | |
| | | | | |
| **Discount rate** | | | | |
| 1% increase | 547 | 557 | 543 | 557 |
| Current Assumption | 545 | 560 | 545 | 560 |
| 1% decrease | 547 | 562 | 547 | 562 |
| | | | | |
| **Post-retirement mortality rate** | | | | |
| 1% increase | | 533 | | 533 |
| Current Assumption | | 560 | | 560 |
| 1% decrease | | 566 | | 566 |

The assumptions used are based on statistics and market data as at 31 March 2022. Financial markets are currently experiencing increased volatility. The Sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. As a significant proportion of the liability is expected to be paid out immediately, we have set the discount rate by using the average discount rate at 31 March 2022 based on the yields from the zero coupon government bond curve with a duration of between 0 and 3 years. The recommended discount rate is 5.46%. The source is the Johannesburg Stock Exchange through Inet BFA data service. The discount rate for the previous valuation was 4.74%.

Future inflation assumption - The benefit does not increase in future as such the general inflation assumption is not required. Net discount rate - The net discount rate is 5.46% per annum as the benefits do not increase in future.

Assets - We have been advised by the actuary to the Provident Fund that the Employer Surplus Account has an

# Notes to the Financial Statements

estimated balance of R 47,746 million at 31 March 2022. For purposes of the valuation we have taken the asset value to be R 47,746 million.

Pre-retirement mortality - We have assumed that the pre-retirement mortality will be in line with SA585-90 (Light) table, rated down by three years for both male and female employees. This assumption is consistent with the assumption used for the previous valuation report.

Assumed retirement age - The normal retirement age of the group is 65 years. We have been advised that the average age for retiring members is 59 years of age. A retirement age of 59 years is assumed. For employees currently over age 59 we have provided for the immediate value of the benefit. This assumption is consistent with the assumption used for the previous valuation report.

Developments since the previous valuation - There were no changes to the rules governing payment and eligibility for the Provident Fund leave benefits since the previous valuation. As far as assumptions are concerned only the discount rate which are dependent on the market at the time of the valuation differed from the previous valuation. All other assumptions are broadly consistent with that used at the previous valuation unless otherwise stated.

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 | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Other assumptions** | | | | |
| Discount rate | 5.46 % | 4.74 % | 5.46 % | 4.74 % |
| Expected return on plan assets | 5.46 % | 4.74 % | 5.46 % | 4.74 % |
| Long term price inflation | 4.13 % | 3.17 % | 4.13 % | 3.17 % |

**Pension fund**

The South African Post Office (SOC) Limited retirement fund (the fund) previously known as the Post Office Pension Fund, was established on 1 October 1991 in terms of section 9(1) of the Post Office Act, 1958 (Act No.44 of 1958, as amended). The fund only allowed for defined benefit members until 30 November 2005 when it was converted into primarily a defined contribution scheme. It then became known as the South African Post Office (SOC) Limited retirement fund.

The fund is a separate legal entity, distinct from its members and is capable in law, in its own name, of suing and of being sued, and of acquiring, holding and alienating property, movable and immovable.

The assets held by the fund are registered in the name of the fund which has as its objective the provision of retirement and ancillary benefits to all its beneficiaries, being pensioners and active members.

In terms of section 10A of the South African Post Office Act (Act No 44 of 1958, as amended), the financial obligations of the South African Post Office (SOC) Limited retirement fund in respect of its defined benefit members and pensioners are guaranteed by the South African Post Office (SOC) Limited whilst the Government of the Republic of South Africa in turn guarantees the obligations of the South African Post Office (SOC) Limited in this regard.

In terms of a recent actuarial capital adequacy analysis, the fund was fully funded and the actuary concluded that it was in a sound financial position.

# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **The amounts recognised in profit and loss:** | | | | |
| Service cost | 826 | 880 | 826 | 880 |
| Net interest income | 301 916 | 119 899 | 301 916 | 119 899 |
| | | | | |
| **Remeasurements of post retirement fund (actuarial (gains) / losses)** | | | | |
| Changes in assumptions | 258 202 | 118 661 | 258 202 | 118 661 |
| Experience adjustment | (122 464) | (356 038) | (122 464) | (356 038) |
| | | | | |
| **Remeasurement of asset** | | | | |
| Asset ceiling | 2 258 503 | 2 139 193 | 2 258 503 | 2 139 193 |
| | **2 696 983** | **2 022 595** | **2 696 983** | **2 022 595** |

**Actuarial assumptions: Pension fund**

These tables set out the impact on results as a consequence of changes to assumptions on the discount rate and the post-retirement age rating assumptions.

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Discount rate** | | | | |
| 1% increase | 5 133 900 | 4 613 673 | 5 133 900 | 4 613 673 |
| Current assumption | 5 489 960 | 4 913 416 | 5 489 960 | 4 913 416 |
| 1% decrease | 5 892 586 | 5 253 221 | 5 892 586 | 5 253 221 |
| | | | | |
| **Post-retirement age rating** | | | | |
| PA(90) +1 | 5 338 831 | 4 785 351 | 5 338 831 | 4 785 351 |
| Current Assumption | 5 489 960 | 4 913 416 | 5 489 960 | 4 913 416 |
| PA(90) -1 | 5 640 107 | 5 043 300 | 5 640 107 | 5 043 300 |

The assumptions used are based on statistics and market data as at 31 March 2022. The assumptions are unbiased and mutually compatible.

Discount rate assumption - The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have used the average nominal yield curve for SA Government bonds with duration of between 15 and 20 years as at 31 March 2022. The recommended discount rate is 11.91%. The source of the yield curve is the Johannesburg Stock Exchange through INET BFA data service. The discount rate assumption used for the previous valuation was 14.11%

Future inflation assumption - The general inflation assumption

# Notes to the Financial Statements

is used to estimate the base rate for determining the rate at which the future salaries will increase. We have used the difference between nominal and real SA Government bonds with duration of between 15 and 20 years. The implied inflation assumption is therefore 7.38% per annum for future inflation. The source of the yield curves is the Johannesburg Stock Exchange through INET BFA data service. The inflation assumption used for the previous valuation was 9.23%

Future salary inflation assumption - It was assumed that the subsidies will increase in line with 1.00% in excess of general inflation, therefore 10.23% per annum. This is consistent with the assumptions of the previous valuation. The inflation assumption used for the previous valuation was 8.97%.

Net discount rate - Even though the actual values used for the discount rate and the expected increase in medical inflation are important, the gap between the two assumptions is more important. This gap is referred to as the net discount rate. The net discount rate for subsidy inflation is assumed to be 3.26% per annum (derived from a discount rate of 11.91% and the expected salary inflation rate of 8.38%). The net discount rate was 3.52% per annum at the previous valuation.

Pre-retirement mortality - We have assumed that the pre-retirement mortality will be in line with SA85-90 (light) table, rated down by 3 years for female employees. We have not allowed for death as a result of an injury arising in the course of employment with the Entity. This is consistent with the assumptions of the previous valuation.

Post-retirement mortality - The post-retirement mortality assumptions were based on the PA(90) mortality tables. This is consistent with the assumptions of the previous valuation.

Withdrawals - 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. This is consistent with the assumptions of the previous valuation.

Assumed retirement age - The normal retirement age of the remaining active defined benefit members is 65 years. We have assumed, on average, that active members will retire early at age 59. This is the same assumption used at the previous valuation date. This is consistent with the assumptions of the previous valuation.

Marital status - An assumption has been made that 90% of members will be married at retirement with the male spouse being 3 years older than the female spouse. For retired members who are married, we have used the actual date of birth for the spouse where available. Where the spouses date of birth was not available we have assumed that the male spouse is 3 years older than the female spouse. This is consistent with the assumptions of the previous valuation.

Commutation - We have assumed that on retirement all DC pensioners would have commuted a third of their pension on retirement. We have further assumed that all DB–A members and DB–C members would have commuted at third of their pension on retirement. This is consistent with the assumptions of the previous valuation.

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 Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Other assumptions** | | | | |
| Discount rate | 11.91 % | 14.11 % | 11.91 % | 14.11 % |
| Expected return on plan assets | 11.91 % | 14.11 % | 11.91 % | 14.11 % |
| Long term plan inflation | 7.38 % | 9.23 % | 7.38 % | 9.23 % |
| | | | | |
| **Expected contributions and maturity profile** | | | | |
| | | | | |
| **Expected contributions to the defined benefit plan in future years** | | | **2022** | **2021** |
| | | | | |
| Within the next 12 months (next annual reporting period) | | | 1 929 | 98 |
| Between 1 and 2 years | | | - | 43 |
| Between 2 and 5 years | | | 8 102 | 285 |
| Between 5 and 10 years | | | 7 666 | 986 |
| Beyond 10 years | | | 6 067 | 516 |
| | | | **23 764** | **1 928** |

**Maturity profile**

The average term to retirement for actives is 7 years for 2022. The average duration for the pensioners is 19 years. For 2021 the average term to retirement is 8 years. The average duration for pensioners is 19.43 years.

The average duration retirement age for current employees pensioners is 12.61 (male) and 15.96 (female)

# Notes to the Financial Statements

## 13. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Merchandise | 28 614 | 31 000 | 28 614 | 31 000 |
| Consumables | 20 326 | 27 725 | 19 931 | 27 618 |
| | **48 940** | **58 725** | **48 545** | **58 618** |
| | | | | |
| Inventories (write-downs) | (1 697) | (1 928) | (1 697) | (1 928) |
| **Total inventories net of write-downs** | **47 243** | **56 797** | **46 848** | **56 690** |

**Inventory pledged as security**

No inventory has been pledged as security for liabilities.

## 14. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Financial instruments:** | | | | |
| Trade receivables | 205 285 | 506 877 | 196 742 | 497 847 |
| Loss allowance | (34 081) | (73 130) | (30 704) | (69 921) |
| **Trade receivables at amortised cost** | **171 204** | **433 747** | **166 038** | **427 926** |
| | | | | |
| Deposits | 783 | 783 | - | - |
| Amounts due from subsidiaries | - | - | 5 526 | 4 032 |
| Deferred loss on hedges | 559 | 2 735 | - | - |
| Money and postal orders | 18 533 | 9 197 | 13 944 | 7 469 |
| International debtors | 144 101 | 158 050 | 144 101 | 158 050 |
| Uncleared control accounts and other receivables (net of impairment) | 1 478 151 | 1 164 390 | 1 477 936 | 1 164 162 |
| | | | | |
| **Non-financial instruments:** | | | | |
| VAT | 2 259 | 2 562 | - | - |
| Employee costs in advance | 2 801 | 2 706 | 2 801 | 2 706 |
| **Total trade and other receivables** | **1 818 391** | **1 774 170** | **1 810 346** | **1 764 345** |

**Exposure to credit risk**

The following table provides information about the exposure to credit risk and ECL's for trade receivable from individual customers as at 31 March 2022:

# Notes to the Financial Statements

| | Group | | | |
|---|---|---|---|---|
| 31 March 2022 (R'000) | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit impaired |
| | | | | |
| 0 - 30 days | 5.04 % | 171 652 | 8 612 | No |
| 31 - 60 days | 6.44 % | 5 807 | 374 | No |
| 61 - 90 days | 12.42 % | 2 977 | 370 | No |
| 91 - 120 days | 62.90 % | 124 | 78 | No |
| More than 120 days past due | 99.68 % | 24 725 | 24 647 | Yes |
| | | **205 285** | **34 081** | |

| Company | | | | |
|---|---|---|---|---|
| 31 March 2022 (R'000) | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit impaired |
| | | | | |
| 0 - 30 days | 4.97 % | 166 015 | 8 248 | No |
| 31 - 60 days | 6.44 % | 5 807 | 374 | No |
| 61 - 90 days | 12.42 % | 2 977 | 370 | No |
| 91 - 120 days | 62.97 % | 124 | 78 | No |
| More than 120 days past due | 99.15 % | 21 819 | 21 634 | Yes |
| | | **196 742** | **30 704** | |

**Fair value of trade and other receivables**

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

**Trade receivables impaired**

As of 31 March 2022, trade and other receivables of Group R34 081 (2021: R73 130) and Company R30 704 (2021: R69 921) were impaired and provided for.

Management believes that all amounts that are past due by more than 120 days are not collectible, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customer's credit ratings if they are available. There is no enforcement activity with regards to impaired trade receivables.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

# Notes to the Financial Statements

| | 2022 | 2021 | 2022 | 2021 |
|---|---|---|---|---|
| | **Impairment** | **Impairment** | **Impairment** | **Impairment** |
| | | | | |
| Balance as at 1 April | 73 130 | 74 457 | 69 922 | 71 114 |
| Amounts written off | - | - | - | - |
| Net remeasurements of loss allowance | (39 049) | (1 327) | (39 218) | (1 193) |
| **Balance as at 31 March** | **34 081** | **73 130** | **30 704** | **69 921** |

IFRS 9 allows an entity to use a simplified provision matrix for calculating expected losses as a practical expedient (e.g., for trade receivables), if consistent with the general principles for measuring expected losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

The provision matrix and default rates applied (unadjusted) is set out as:

| | From 1 to 30 days | From 31 to 60 days | From 61 to 90 days | From 91 to 120 days | Greater than 120 days |
|---|---|---|---|---|---|
| | | | | | |
| Group | 5.04 % | 6.44 % | 12.42 % | 62.90 % | 99.68 % |
| Company | 4.97 % | 6.44 % | 12.42 % | 62.97 % | 99.15 % |

The company define a default on trade receivables as a non-payment of the trade receivable within 120 days after the issue of the invoice.

The company has applied the practical expedient of IFRS 15.63, which permits the company not to adjust the transaction price for the effects of a significant financing component if, at contract inception, it expects the period between the customer payment and the transfer of services to be less than or equal to one year.

For trade receivables, repayment is due at the end of the month following the invoice date (which is on average between 30 and 60 days). The company applies a historic loss rate, adjusted to reflect economic conditions and macro-economic factors. The company determined that the unemployment rate was the most appropriate macro-economic factor that can affect the credit losses of the company.

The unemployment rate that is applied to adjust the historic default rate is 8.62% (2021: 11.68%) and will cater for the downturn in the economic environment due to the impact of COVID-19.

**Classification as trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 60 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional and does not contain a significant financing component. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost.

# Notes to the Financial Statements

## 15. Prepayments

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **IT solutions paid in advance** | | | | |
| **Services receivable within a year** | **2 418** | **2 384** | **2 418** | **2 384** |

Prepaid expenses are payments made in advance of the future performance of services. These amounts are recorded as assets in the financial statements until the related expenses have been incurred.

## 16. Cash and cash equivalents

Cash and cash equivalents include cash on hand and actual bank balances and investments in money market instruments.

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Cash on hand | 69 065 | 100 878 | 69 043 | 100 869 |
| Bank balances | 360 692 | 1 338 919 | 360 071 | 1 337 717 |
| Short-term deposits | 24 825 | 23 150 | - | - |
| Other cash and cash equivalents | 151 060 | 186 361 | 151 060 | 186 361 |
| | **605 642** | **1 649 308** | **580 174** | **1 624 947** |

**Credit quality of cash at bank and short-term deposits, excluding cash on hand**

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

# Notes to the Financial Statements

## 17. Non-current assets held for sale

Management has committed to a plan to sell certain properties. Accordingly, this is presented as a disposal group held for sale. Efforts to sell the properties concerned have started and sales are expected to be concluded the following financial year.

Assets held for sale are stated at fair value and comprised of the following assets:

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Assets and liabilities** | | | | |
| **Non-current assets held for sale** | | | | |
| Property, plant and equipment | 35 712 | - | 35 712 | - |
| Investment property | 91 055 | - | 91 055 | - |
| | **126 767** | **-** | **126 767** | **-** |
| | | | | |
| **Assets of disposal groups** | | | | |
| Investment property | 17 600 | - | - | - |
| | **144 367** | **-** | **126 767** | **-** |

**Fair value hierarchy**

The non-recurring fair value measurement have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

**Cumulative income or expenses included in OCI**

There are no cumulative income or expenses included in OCI relating to the disposal group.

**Recognition**

The group has elected to disclose major classes of assets and liabilities classified as held-for-sale in the notes.

Non-current assets, comprising assets, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

# Notes to the Financial Statements

## 18. Share capital

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Authorised** | | | | |
| **1 000 000 000 Ordinary shares of R1 each** | **1 000 000** | **1 000 000** | **1 000 000** | **1 000 000** |
| | | | | |
| **Reconciliation of number of shares issued:** | | | | |
| Reported as at 01 April | 8 164 116 | 8 164 116 | 8 164 116 | 8 164 116 |
| Issue of shares – ordinary shares | - | - | - | - |
| | **8 164 116** | **8 164 116** | **8 164 116** | **8 164 116** |
| | | | | |
| **Issued** | | | | |
| **Ordinary shares of R1 each** | **8 164 116** | **8 164 116** | **8 164 116** | **8 164 116** |

At year end, there are 306 884 118 unissued ordinary shares. This authority remains in force until the next annual general meeting.

## 19. Mark-to-market reserve

The unlisted shares held in the cell captive Centriq Insurance Innovation (Pty) Ltd are classified as a financial asset at fair value through other comprehensive income.

Financial assets classified as subsequently measured at fair value through other comprehensive income, with fair value gains and losses recognised directly in other comprehensive income as the reserve for valuation of investments (mark-to-market reserve). The market approach is used under IFRS 13 in the determination of the fair value of unlisted shares for which no reference can be made to quote market prices. Refer to note 10.

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Investments at fair value through other comprehensive income** | **(3 653)** | **4 537** | **(3 653)** | **4 537** |

# Notes to the Financial Statements

## 20. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Held at amortised cost** | | | | |
| **Postbank SOC Ltd** | **207 897** | **202 750** | **207 897** | **202 750** |

The loan is unsecured and carries interest at the publicly quoted interest rate, compounded monthly in arrears.

The loan represents an internal, inter-divisional, balance that was converted to a company-level liability as a consequence of the separation of Postbank from SAPO. The loan has no fixed terms of repayment. It is classified as current on the basis that SAPO has no contractual right to unilaterally defer settlement of the liability for at least twelve months after the reporting period.

| | | | | |
|---|---|---|---|---|
| **Split between non-current and current portions** | | | | |
| **Current liabilities** | **207 897** | **202 750** | **207 897** | **202 750** |

## 21. Deferred tax

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Deferred tax liability** | | | | |
| Property plant and equipment | (19 324) | (18 748) | - | - |
| Deferred Lease | - | (13) | - | - |
| **Total deferred tax liability** | **(19 324)** | **(18 761)** | **-** | **-** |
| | | | | |
| **Deferred tax asset** | | | | |
| Income received in advance | - | 1 390 | - | - |
| Provisions | 2 862 | 2 413 | - | - |
| Deferred lease | 562 | - | - | - |
| Deferred tax balance from temporary differences other than unused tax losses | 3 424 | 3 803 | - | - |
| Tax losses avail for set off against future tax in | 1 706 | 2 344 | - | - |
| | **5 130** | **6 147** | **-** | **-** |
| **Total deferred tax asset** | **5 130** | **6 147** | **-** | **-** |
| | | | | |
| Deferred tax liability | (19 324) | (18 761) | - | - |
| Deferred tax asset | 5 130 | 6 147 | - | - |
| **Total net deferred tax liability** | **(14 194)** | **(12 614)** | **-** | **-** |

# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Reconciliation of deferred tax asset / (liability)** | | | | |
| At beginning of year | (12 614) | (17 857) | - | - |
| Investment property | (1 518) | (761) | - | - |
| Provisions | 159 | 2 420 | - | - |
| Deferred lease | 10 | 5 | - | - |
| Income received in advance | (515) | 1 390 | - | - |
| Increases (decreases) in tax loss available to set off against future taxable income | 284 | 2 189 | - | - |
| | **(14 194)** | **(12 614)** | **-** | **-** |

**Recognition of deferred tax asset**

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Unrecognised deferred tax asset** | | | | |
| Available for sale financial assets adjustments | (10 221) | (11 418) | (10 221) | (11 418) |
| Tax loss | 3 772 731 | 3 410 270 | 3 772 731 | 3 410 270 |
| Government Subsidy | 15 647 | 40 605 | 15 647 | 40 605 |
| Deferred revenue | 20 810 | 31 495 | 20 810 | 31 495 |
| Provisions | 511 420 | 568 472 | 511 420 | 568 472 |
| Fixed assets | (448 192) | (374 154) | (448 192) | (374 154) |
| Financial instruments | (118) | (984) | (118) | (980,00) |
| | **3 862 077** | **3 664 286** | **3 862 077** | **3 664 290** |
| | | | | |
| **Unrecognised deferred tax asset for components of other comprehensive income** | | | | |
| Tax effect of items recognised in other comprehensive income for which no deferred tax asset has been recognised: | | | | |
| | | | | |
| Remeasurements on net defined benefit liability/asset | (60 707) | (42 195) | (62 930) | (43 713) |
| Gain on other financial assets adjustments | (986) | 1 225 | (1 023) | 1 270 |
| Gains on property revaluation | 59 758 | 86 989 | 63 384 | 90 210 |
| | **(1 935)** | **46 019** | **(569)** | **47 767** |

## 22. Provisions

| **Reconciliation of provisions - Group - 2022** | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Opening balance** | **Additions** | **Utilised during the year** | **Reversed during the year** | **Unwinding of provision** | **Change in discount factor** | **Total** |
| | | | | | | | |
| Site restoration | 150 777 | - | - | - | 6 706 | (702) | 156 781 |
| General provision | 39 | - | - | - | - | - | 39 |
| Leave pay | 185 090 | 178 946 | (185 090) | - | - | - | 178 946 |
| Contractual 13th cheque | - | 150 | - | - | - | - | 150 |
| Long service cash awards | 42 436 | 5 108 | (19 155) | - | - | - | 28 389 |
| Long service leave awards | 17 642 | 3 070 | (5 156) | 2 000 | - | - | 17 556 |
| | **395 984** | **187 274** | **(209 401)** | **2 000** | **6 706** | **(702)** | **381 861** |

# Notes to the Financial Statements

**Reconciliation of provisions - Group - 2021**

| | Opening balance | Additions | Utilised during the year | Reversed during the year | Restatement | Change in discount factor | Total |
|---|---|---|---|---|---|---|---|
| Site restoration | 268 459 | - | - | (3 407) | (179 992) | 65 717 | 150 777 |
| General provision | 14 495 | - | - | (14 456) | - | - | 39 |
| Leave pay | 177 032 | 181 065 | (173 007) | - | - | - | 185 090 |
| Contractual 13th cheque | 73 | - | 1 | (73) | - | - | 78 863 |
| Long service cash awards | 37 747 | 6 756 | (7 191) | 5 124 | - | - | 42 436 |
| Long service leave awards | 14 575 | 2 937 | (1 794) | 1 924 | - | - | 17 642 |
| | **512 381** | **190 758** | **(181 992)** | **(10 888)** | **(179 992)** | **65 717** | **395 984** |

**Reconciliation of provisions - Company - 2022**

| | | Opening balance | Additions | Utilised during the year | Unwinding of provision | Change in discount factor | Total |
|---|---|---|---|---|---|---|---|
| Site restoration | | 150 777 | - | - | 6 706 | (702) | 156 781 |
| General provision | | 39 | - | - | - | - | 39 |
| Leave pay | | 185 090 | 178 946 | (185 090) | - | - | 178 946 |
| Long service cash awards | | 40 473 | 4 832 | (18 593) | - | - | 26 712 |
| Long service leave awards | | 17 642 | 3 070 | (3 156) | - | - | 17 556 |
| | | **394 021** | **186 848** | **(206 839)** | **6 706** | **(702)** | **380 034** |

**Reconciliation of provisions - Company - 2021**

| | Opening balance | Additions | Utilised during the year | Reversed during the year | Restatement | Change in discount factor | Total |
|---|---|---|---|---|---|---|---|
| Site restoration | 268 458 | - | - | (3 406) | (179 992) | 65 717 | 150 777 |
| General provision | 14 495 | - | - | (14 456) | - | - | 39 |
| Leave pay | 177 032 | 181 065 | (173 007) | - | - | - | 185 090 |
| Long service cash awards | 36 007 | 6 554 | (7 191) | 5 103 | - | - | 40 473 |
| Long service leave awards | 14 575 | 2 937 | (1 794) | 1 924 | - | - | 17 642 |
| | **510 567** | **190 556** | **(181 992)** | **(10 835)** | **(179 992)** | **65 717** | **394 021** |

# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Non-current liabilities | 69 337 | 106 588 | 68 789 | 105 468 |
| Current liabilities | 312 524 | 289 396 | 311 245 | 288 553 |
| | **381 861** | **395 984** | **380 034** | **394 021** |

**Site restoration**

The provision relates to decommissioning costs that are expected to be incurred upon termination or conclusion of property rental lease agreements where the company is currently or has previously been the lessee. It is uncertain whether these leases will be extended or terminated earlier, which creates uncertainties regarding the amount and timing of the cash flows.

The Universal Service Obligations (USO) obliges the South African Post Office (SOC) Limited to maintain its presence in South Africa (SA), especially in rural SA. Therefore, the South African Post Office (SOC) Limited might not reduce the number of leasehold premises but continue to establish its presence in strategic buildings.

Assumptions and methodologies used in the calculation of this provision:

Site restoration is determined where there is a possibility of a restoration obligation arising. Site restoration is provided for active rental contacts, as well as for arrears contacts where the company is still in occupation.

The company has maintained records of actual site restorations performed. Prior restoration costs are inflation-adjusted to determine average restoration costs per square meter for rental properties each year. Average costs per square meter are applied to individual rentals to arrive at current restoration estimates. There are select landlords who do accept three months rental or more, instead of a site restoration being performed, and therefore monthly rental amounts are also considered in arriving at restoration estimates. Evidence suggests that around six months of rental payments approaches the estimates arrived at based upon square meterage. For each property which may require site restoration, the company applies the highest of the two estimates to ensure that liabilities for restoration might not easily be underestimated.

The initial present value estimate of site restoration costs is capitalised in terms of the relevant lease agreements, and a corresponding provision (liability) recognised. Depreciation is straight-lined over the remaining lease period. Where there is no more rental contract (non- renewed) the site restoration liability is not written off but maintained until site restoration in performed. The current liability portion of site restoration is determined based upon rental contracts that will expire within the next 12 months. The current liability includes expired rentals from previous years.

The future value of each rental is calculated to the end of its remaining lease term, using the present value, being the current estimated cost of site restoration, and applying the SA prime rate as the interest rate. Interest arrived at for each of the remaining rental years is expensed each year. Where there is no more rental contract, no more interest is expensed as there is no more lease term.

**General provision**

Employees can elect to join a Bargaining Unit for 13th cheque payments or employees appointed on a TCTC basis may elect to structure their package for a 13th cheque payment. 13th cheque payments for Bargaining Unit's members are paid in the employees bonus date and TCTC 13th cheque payments are made in December.

**Leave obligation**

Employees are entitled to 22 days leave per annum. As at 31 March the remaining annual leave may be carried forward for a period of six (6) months after year end, otherwise the leave will be forfeited.

Any leave balance remaining when an employee leaves the service of the South African Post Office (SOC) Limited

# Notes to the Financial Statements

for whatever reason (e.g. resignation, death, retirement) is encashed at that time.

**Capped leave**

In addition to their normal current accrued leave some staff members also have an amount of capped leave. During 2001 and 2002 the South African Post Office (SOC) Limited negotiated with staff in different categories that leave accrued up till that date would in future only be encashed at the salary as at that time. This leave can be taken as leave or encashed, but only after all other accrued leave has been taken. Any remaining balance will be paid out as cash when the employee leaves the service of the South African Post Office (SOC) Limited.

Given these rules, the South African Post Office (SOC) Limited recognises that the balances in both the capped leave and normal accrued leave will not be settled in the 12 months following the date of calculation, and therefore some form of calculation is required. In performing these calculations, an assumption has been applied that 50% of the balance standing in the normal accrued leave will be taken as leave in the next 12 months. The remainder of the normal and the balance in the capped leave will be paid out in cash when the employee leaves the service of the South African Post Office (SOC) Limited by death, resignation or retirement. In the case of the accrued leave, this will be based on the salary applicable at that date, and in the case of the capped leave, based on the current fixed rate.

A restricted number of employees are members of the leave provident fund. This provident fund provides for leave in excess of 60 days at a specific point in time. No additional employees may become members of this fund. Leave in this fund can only be encashed when the employee retires or resigns and cannot be utilised as leave. As provident fund assets are sufficient this leave is not accrued by the Company.

**Contractual 13th cheque**

Relating to The Document Exchange (Pty) Ltd:

An obligation arises based on a percentage of an employee total cost to company deducted monthly to be paid out in the month of December every year. The amount is certain and the likelihood of cash flow is very high.

**Long service cash awards**

The Group has a once off cash award policies in respect of long service. The Group has valued this benefit in the current period, and shall be valuing the benefit annually.

**Long service leave awards**

The Group has a policy of increasing leave days when employees reach ten years of service and for every ten years thereafter within the South African Post Office (SOC) Limited's employment. The increase in leave days is from 22 to 24 days in the employee's tenth period only.

# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Actuarial assumptions and sensitivity analysis** | | | | |
| **Long service cash awards** | | | | |
| | | | | |
| **Discount rate** | | | | |
| 1% increase | 26 986 | 48 626 | 26 964 | 40 626 |
| Current assumption | 28 388 | 42 936 | 28 388 | 42 436 |
| 1% decrease | 29 989 | 44 906 | 29 959 | 44 406 |
| | | | | |
| **Retirement age** | | | | |
| 2% increase | 33 618 | 48 864 | 33 618 | 48 864 |
| Current assumption | 28 388 | 42 326 | 28 388 | 42 326 |
| 1% decrease | 22 969 | 35 576 | 22 969 | 35 576 |
| | | | | |
| **Leave days** | | | | |
| | | | | |
| **Discount rate** | 18 349 | 16 785 | 18 349 | 16 785 |
| 1% increase | | | | |
| Current assumption | 17 556 | 17 642 | 17 556 | 17 642 |
| 1% decrease | 16 228 | 18 580 | 16 228 | 18 580 |
| | | | | |
| **Retirement age** | | | | |
| 1% increase | 19 845 | 20 277 | 19 845 | 20 277 |
| Current assumption | 17 538 | 17 642 | 17 538 | 17 642 |
| 1% decrease | 15 182 | 14 930 | 15 182 | 14 930 |

### Actuarial assumptions

The assumptions used are based on statistics and market data as at 31 March 2022.

Financial markets are currently experiencing increased volatility. The sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

### Discount rate assumption

The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the best fit discount rate at 31 March 2022 based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is approximately 7,5 years. The recommended discount rate is 9,58%.

### Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

We have estimated the market's pricing of inflation by comparing the yields on index linked government bonds and long-term government bonds with a duration of 7.5 years. The implied inflation assumption is therefore 5,99% per annum for future inflation. Future salaries can be expected to increase in line with salary inflation. We assumed that salary inflation will

# Notes to the Financial Statements

exceed general inflation by 1.0% per annum, i.e. 6,99% p.a.

**Assets**

The Company does not have any specific assets set aside to fund this liability. We have therefore not included any asset value in this report.

**Net discount rate**

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 2,42% per annum. (derived from a discount rate of 9,58% and the expected salary inflation rate of 6,99%). It should be noted that where a benefit does not increase in future the net gap is equal to the discount rate.

**Pre-retirement mortality**

We have assumed that the pre-retirement mortality will be in line with SA85-90 (Light) table, rated down by 3 years for female employees. This assumption is in line with the previous assumptions used.

**Assumed retirement age**

The normal retirement age of the group is 65 years. Evidence has shown that not all members are retiring at the normal retirement age. We have been advised that the average age for retiring members is 59 years of age. A normal retirement age of 59 years is assumed. For employees currently over age 59 we have assumed that they will retire immediately.

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Other assumptions** | | | | |
| Discount rate | 10.68% | 9.58% | 10.68% | 9.58% |
| Salary inflation increase rate | 7.11% | 6.99% | 7.11% | 6.99% |
| Long term price inflation | 3.33% | 2.42% | 3.33% | 5.99% |
| | | | | |
| **Leave encashment** | | | | |
| **Discount rate** | | | | |
| 1% increase | 3 009 000 | 3 911 485 | 3 009 000 | 3 911 485 |
| Current assumption | 3 088 000 | 4 074 375 | 3 088 000 | 4 074 375 |
| 1% decrease | 3 172 000 | 4 146 864 | 3 172 000 | 4 146 864 |
| | | | | |
| **Retirement age** | | | | |
| 2-year increase | 3 347 000 | 3 667 808 | 3 347 000 | 3 667 898 |
| Current assumption | 3 088 000 | 4 074 375 | 3 088 000 | 4 074 375 |
| 2-year decrease | 2 798 000 | 4 337 043 | 2 798 000 | 4 337 043 |

# Notes to the Financial Statements

**Actuarial assumptions**

The assumptions used are based on statistics and market data as at 31 March 2022. Financial markets are currently experiencing increased volatility. The Sensitivity section quantifies the effects of a narrowing and widening of the net discount rates by 1% per annum.

**Discount rate assumption**

The discount rate required by IAS19 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. We have set the discount rate by using the average yields from the zero-coupon government bond curve with a duration of between 4 and 5 years. The recommended discount rate is 7,02%. The source is the Johannesburg Stock Exchange through Inet BFA data service.

**Net discount rate**

The benefits do not increase and are pegged at the rate of applicable salary in 2001 or 2002 as applicable. The net discount rate is therefore 7.02% per annum.

**Post-retirement mortality assumption**

We have assumed that the pre-retirement mortality will be in line with SA85-90 (Light) table, rated down by 3 years for female employees. This assumption is in line with the previous assumptions used. This assumption is consistent with the assumption used for the previous valuation report.

**Assumed retirement mortality assumption**

The normal retirement age of the group is 65 years. Evidence has shown that not all members are retiring at exactly these ages. We have been advised that the average age for retiring members is 59 years of age. A normal retirement age of 59 years is assumed. For employees currently over age 59 we have assumed that they will retire in 1 years' time. This assumption is consistent with the assumption used for the previous valuation report.

**Take-up rates assumption**

We have assumed that the capped leave will be encashed on exit from the Company. This assumption is consistent with the assumption used for the previous valuation report.

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Other assumptions** | | | | |
| Discount rate | 7.73% | 7.02% | 7.73% | 7.02% |
| Expected return on plan assets | 7.73% | 7.02% | 7.73% | 7.02% |
| Long term price inflation | 5.25% | 4.24% | 5.25% | 4.24% |

# Notes to the Financial Statements

## 23. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Financial instruments:** | | | | |
| Trade payables | 1 304 432 | 799 153 | 1 263 150 | 758 250 |
| Postbank payable - SASSA Billing | 827 528 | 600 482 | 827 528 | 600 482 |
| Postbank payable - Daily settlement | 1 992 606 | 2 996 687 | 1 992 606 | 2 996 687 |
| Postbank payable - Value Added Tax | 23 970 | - | 23 970 | - |
| Money and postal orders | 10 749 | 1 473 | 10 749 | 1 473 |
| International trade payables | 117 996 | 156 441 | 117 996 | 156 441 |
| Employee related payables | 2 219 901 | 1 452 460 | 2 219 901 | 1 452 460 |
| Accrued expenses | 631 226 | 686 627 | 622 995 | 678 381 |
| Deposits received | 79 204 | 78 412 | 78 951 | 78 171 |
| Deferred gain on hedges | 482 | 519 | - | - |
| Other payables | 120 888 | 86 989 | 116 055 | 83 039 |
| Amounts due to subsidiaries | - | - | 2 010 | 3 614 |
| | | | | |
| **Non-financial instruments:** | | | | |
| Value Added Tax | 436 793 | 278 576 | 436 474 | 278 234 |
| | **7 765 775** | **7 137 819** | **7 712 385** | **7 087 232** |

## 24. Financial liabilities at amortised cost

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Current liabilities | 24 969 | 152 097 | 24 969 | 152 097 |

Financial liabiliites at amortised cost consists of an advance payment of R541 million received from SASSA. This financial liability is an interest free liability which was fair valued at the average market interest rate of 7.36%. This advanced payment is repaid through 10% deduction from the service charges payable to SAPO under each monthly invoice issued to SASSA, until such time that the advance payment received is repaid in full. The difference between the fair value of the liability and the actual amount received was recognised as a government grant. The government grant portion is recognised as income over the period of the financial liability

# Notes to the Financial Statements

## 25. Contract liabilities

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Summary of contract liabilities** | | | | |
| **Subscriptions - upfront members** | **1 954** | **2 220** | **-** | **-** |
| | | | | |
| **Reconciliation of contract liabilities** | | | | |
| Opening balance | 2 220 | 2 112 | - | - |
| Change in timing of the right to consideration becoming unconditional | (266) | 108 | - | - |
| | 1 954 | 2 220 | - | - |

Revenue on annual subscriptions (upfront membership) is recognised when control of the goods has transferred to the customer, which is the point at which the goods are delivered to the customer. The customer pays the transaction price at the point the purchase is made. All such payments are recognised as a contract liability until the goods have been delivered to the customer and revenue is recognised.

# Notes to the Financial Statements

## 26. Deferred income

**Deferred income consists of the following:**

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue | 3 264 | 1 413 | 3 264 | 1 413 |
| Franking mail revenue | 1 047 | 1 092 | 1 047 | 1 092 |
| Box revenue | 71 031 | 108 164 | 71 031 | 108 164 |
| Stamp and envelope revenue | 1 681 | 1 712 | 1 681 | 1 712 |
| Speed services revenue | 51 | 101 | 51 | 101 |
| Subscription fees | 4 565 | 6 634 | - | - |
| **Total deferred income** | **81 639** | **119 116** | **77 074** | **112 482** |
| | | | | |
| **Reconciliation of deferred income - Group 2022** | | | | |
| | | | | |
| | **Opening balance** | **Additions** | **Recognised as revenue** | **Closing balance** |
| | | | | |
| Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue | 1 413 | 3 264 | (1 413) | 3 264 |
| Franking mail revenue | 1 092 | 1 047 | (1 092) | 1 047 |
| Box revenue | 108 164 | 71 031 | (108 164) | 71 031 |
| Stamp and envelope revenue | 1 712 | 1 681 | (1 712) | 1 681 |
| Speed services revenue | 101 | 51 | (101) | 51 |
| Subscription fees | 6 634 | 4 565 | (6 634) | 4 565 |
| | **119 116** | **81 639** | **(119 116)** | **81 639** |

# Notes to the Financial Statements

| Reconciliation of deferred income - Group 2021 | | | | |
|---|---|---|---|---|
| | Opening balance | Additions | Recognised as revenue | Closing balance |
| | | | | |
| Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue | 655 | 1 413 | (655) | 1 413 |
| Franking mail revenue | 705 | 1 092 | (705) | 1 092 |
| Box revenue | 159 648 | 108 164 | (159 648) | 108 164 |
| Stamp and envelope revenue | 1 662 | 1 712 | (1 662) | 1 712 |
| Speed services revenue | 109 | 101 | (109) | 101 |
| Subscription fees | 6 761 | 6 634 | (6 761) | 6 634 |
| | **169 540** | **119 116** | **(169 540)** | **119 116** |

| Reconciliation of deferred income - Company 2022 | | | | |
|---|---|---|---|---|
| | Opening balance | Additions | Recognised as revenue | Closing balance |
| | | | | |
| Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue | 1 413 | 3 264 | (1 413) | 3 264 |
| Franking mail revenue | 1 092 | 1 047 | (1 092) | 1 047 |
| Box revenue | 108 164 | 71 031 | (108 164) | 71 031 |
| Stamp and envelope revenue | 1 712 | 1 681 | (1 712) | 1 681 |
| Speed services revenue | 101 | 51 | (101) | 51 |
| | **112 482** | **77 074** | **(112 482)** | **77 074** |

| Reconciliation of deferred income - Company 2021 | | | | |
|---|---|---|---|---|
| | Opening balance | Additions | Recognised as revenue | Closing balance |
| | | | | |
| Bulk mail, Parcels, Hybrid, Mail Sundry & Registered letters revenue | 655 | 1 413 | (655) | 1 413 |
| Franking mail revenue | 705 | 1 092 | (705) | 1 092 |
| Box revenue | 159 649 | 108 164 | (159 649) | 108 164 |
| Stamp and envelope revenue | 1 662 | 1 712 | (1 662) | 1 712 |
| Speed services revenue | 109 | 101 | (109) | 101 |
| | **162 780** | **112 482** | **(162 780)** | **112 482** |

**Deferred revenue**

SAPO recognises deferred revenue for income received in advance on Postal related Income. The valuation of the deferred revenue is based on sampling systems, for Domestic mail (Test post system) and International mail (Quality of Service system). Sampling results are drawn from these systems for mailing made mid-month to end of March to determine the progress of delivery as at year end.

**Bulk mail, parcels, hybrid, mail sundry and registered letters revenue**

# Notes to the Financial Statements

The deferred revenue calculation is based on the mail delivery performance statistics for March. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

**Franking mail revenue**

The deferred revenue calculation is based on the assumption that ten (10) working days' revenue is unearned. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

**Box revenue**

The renewal cycle for the rental of the boxes is a calendar year from 1 January to 31 December however; the financial year for the Post Office is 1 April to 31 March. This means that only the revenue for three (3) months of the renewal cycle is earned for that financial year and the remaining nine (9) months of the renewal cycle is regarded as deferred revenue. The revenue deferred is expected to be recognised within nine (9) months after the reporting period.

The drop in box revenue can be attributed to a numerous factors, most notably, closure of Post Office Branches (which led to affected customers opting to terminate their Post Box service subscriptions), and macro-environmental issues such as greater sensitivity to pricing amongst our customers, increased competition from electronic alternatives to physical mail, and the impact of Covid on renewals, which – at present – must be done in person at post office branches.

**Stamp and envelope revenue**

The deferred revenue calculation is based on the assumption that ten (10) working days revenue is unearned. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

**Speed services revenue**

The deferred revenue calculation is based on the courier delivery performance statistics for March. Revenue is recognised based on performance satisfaction obligation at the reporting period. Revenue received in the last ten days prior to year end is deferred based on the progress of delivery. The revenue deferred is expected to be recognised ten days after the reporting period.

**International revenue**

The sales report is drawn from the billing system (International Postal System) for all items billed in March. The unearned revenue computation is based on the Quality of Service system which measures the performance in average days for the relevant month.

**Relating to The Document Exchange (Pty) Ltd: Subscription fees**

Members pay the subscription fee annually, for twelve (12) month period. In cases where the membership overlaps between two financial years, the portion of the amount belonging to the subsequent financial year is the unearned revenue and is deferred to the next financial year. The revenue deferred is expected to be recognised over the remaining subscription period that falls within the new reporting period.

# Notes to the Financial Statements

## 27. Funds collected on behalf of third parties

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Agency services and collections** | **467 893** | **376 924** | **467 893** | **376 924** |

Funds collected from the customers of the company on behalf of third party clients are paid into their bank accounts within 24 hours following the collection at Post Office outlets. In terms of service level agreements with the clients, no interest will be paid to clients for the 24 hour period before the money collected is paid into the client's respective accounts.

## 28. Government grants

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Current liabilities** | | | | |
| **Unutilised grants** | **58 810** | **152 234** | **58 810** | **152 234** |
| | | | | |
| **Subsidy received** | | | | |
| Government grants unutilised in prior year | 152 234 | 253 308 | 152 234 | 253 308 |
| USO | 542 655 | 492 085 | 542 655 | 492 085 |
| Government grants utilised<br>Utilised for DTT | (75 429) | (81 825) | (75 429) | (81 825) |
| Unwinding of SASSA Grant | (6 359) | (18 467) | (6 359) | (18 467) |
| Utilised for postal address roll-out | (11 636) | (782) | (11 636) | (782) |
| Utilised for USO | (471 874) | (427 900) | (471 874) | (427 900) |
| Value Added Tax (VAT) | (70 781) | (64 185) | (70 781) | (64 185) |
| **Government grants unutilised** | **58 810** | **152 234** | **58 810** | **152 234** |

# Notes to the Financial Statements

## 29. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Revenue from contracts with customers** | | | | |
| Courier and parcel revenue | 46 714 | 34 451 | 46 714 | 34 451 |
| Postal services revenue | 1 694 084 | 1 505 291 | 1 694 084 | 1 505 291 |
| Financial services | 1 256 295 | 1 417 961 | 1 256 295 | 1 417 961 |
| Rendering of services | 35 306 | 34 587 | - | - |
| Other revenue | 215 | 33 529 | 215 | 33 529 |
| | **3 032 614** | **3 025 819** | **2 997 308** | **2 991 232** |
| | | | | |
| **Disaggregation of revenue from contracts with customers** | | | | |
| The group disaggregates revenue from customers as follows: | | | | |
| | | | | |
| **Courier and parcel revenue** | | | | |
| Parcels | 24 374 | 11 287 | 24 374 | 11 287 |
| Speed services | 22 340 | 23 164 | 22 340 | 23 164 |
| | **46 714** | **34 451** | **46 714** | **34 451** |
| | | | | |
| **Postal services revenue** | | | | |
| Franking mail | 67 235 | 62 890 | 67 235 | 62 890 |
| Bulk mail | 995 133 | 870 012 | 995 133 | 870 012 |
| Secure mail | 19 830 | 15 477 | 19 830 | 15 477 |
| Sundry mail | 4 562 | 3 421 | 4 562 | 3 421 |
| Stamp and philately | 43 769 | 34 088 | 43 769 | 34 088 |
| Foreign | 155 848 | 143 033 | 155 848 | 143 033 |
| Envelope | 27 628 | 29 306 | 27 628 | 29 306 |
| Hybrid mail | 142 781 | 74 080 | 142 781 | 74 080 |
| Registered letters | 68 280 | 57 086 | 68 280 | 57 086 |
| Box and key | 169 018 | 215 898 | 169 018 | 215 898 |
| | **1 694 084** | **1 505 291** | **1 694 084** | **1 505 291** |

# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Financial services** | | | | |
| Motor licencing | 401 147 | 370 345 | 401 147 | 370 345 |
| Social grant | 798 842 | 968 419 | 798 842 | 968 419 |
| Money and postal orders | 303 | 2 668 | 303 | 2 668 |
| DTT | 19 148 | 13 713 | 19 148 | 13 713 |
| Municipality commission | 3 979 | 8 779 | 3 979 | 8 779 |
| National housing | 10 224 | 19 979 | 10 224 | 19 979 |
| Prepaid revenue | 845 | 978 | 845 | 978 |
| Lottery commission | 3 167 | 3 044 | 3 167 | 3 044 |
| Pay-a-bill commission | 10 057 | 17 877 | 10 057 | 17 877 |
| Fax & photocopier | 2 835 | 4 411 | 2 835 | 4 411 |
| Sundry retail | 5 748 | 7 748 | 5 748 | 7 748 |
| | **1 256 295** | **1 417 961** | **1 256 295** | **1 417 961** |
| | | | | |
| **Rendering of services** | | | | |
| Barcode rolls | 1 670 | 1 578 | - | - |
| Subscription revenue | 28 219 | 28 998 | - | - |
| Delivery messenger service | 291 | 231 | - | - |
| Daily delivery, Entry fees & Excess weight | 5 126 | 3 780 | - | - |
| | **35 306** | **34 587** | **-** | **-** |
| | | | | |
| **Other revenue** | | | | |
| Digital revenue | 215 | 33 529 | 215 | 33 529 |
| **Total revenue from contracts with customers** | **3 032 614** | **3 025 819** | **2 997 308** | **2 991 232** |

# Notes to the Financial Statements

## 30. Other operating income

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Other rental income | 145 554 | 137 222 | 144 158 | 135 217 |
| Remeasurement of right-of-use asset and lease liability | - | (175) | - | (175) |
| Bad debts recovered | 20 | 10 | 20 | 10 |
| Other recoveries | 121 516 | 150 493 | 121 420 | 150 428 |
| Sundry income | - | - | - | - |
| Reversal of site restoration provision | 6 298 | 1 454 | - | - |
| Other income | 17 929 | 19 855 | 17 851 | 18 967 |
| Government grants | 489 869 | 447 148 | 489 869 | 447 148 |
| | **781 186** | **756 007** | **773 318** | **751 595** |

## 31. Other operating gains (losses)

| | | Group | | Company | |
|---|---|---|---|---|---|
| **Figures in Rand thousand** | **Notes** | **2022** | **2021** | **2022** | **2021** |
| | | | | | |
| **Gains (losses) on disposals, scrappings and settlements** | | | | | |
| **Property, plant and equipment** | **3** | **(115 549)** | **(13 019)** | **(115 549)** | **(13 019)** |
| | | | | | |
| **Foreign exchange gains (losses)** | | | | | |
| **Net foreign exchange loss** | | **(1 893)** | **(337)** | **(1 893)** | **(337)** |
| | | | | | |
| **Fair value gains (losses)** | | | | | |
| Investment property | 5 | 53 828 | (1 306) | 45 684 | 4 689 |
| **Total other operating gains (losses)** | | **(63 614)** | **(14 662)** | **(71 758)** | **(8 667)** |

# Notes to the Financial Statements

## 32. Other operating expenses

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others: | | | | |
| | | | | |
| **Auditor's remuneration - external** | | | | |
| **Audit fees** | **29 146** | **23 597** | **28 063** | **23 015** |
| | | | | |
| **Remuneration, other than to employees** | | | | |
| Administrative and managerial services | 1 368 | 1 402 | - | - |
| Consulting and professional services | 59 595 | 64 409 | 59 470 | 64 345 |
| | **60 963** | **65 811** | **59 470** | **64 345** |
| | | | | |
| **Expenses by nature** | | | | |
| Other operating expenses are analysed by nature as follows: | | | | |
| Lease expenses | 414 771 | 365 519 | 414 606 | 365 242 |
| Other expenses | 253 772 | 479 961 | 249 687 | 476 948 |
| Bank charges | 221 335 | 246 276 | 221 194 | 246 021 |
| Fines and penalties | 134 503 | 12 194 | 134 503 | 12 088 |
| Municipal expenses | 228 862 | 229 041 | 225 707 | 226 087 |
| Security | 580 994 | 580 962 | 580 984 | 580 950 |
| Telephone and fax | 19 119 | 65 337 | 18 854 | 65 084 |
| | **1 853 356** | **1 979 290** | **1 845 535** | **1 972 420** |

# Notes to the Financial Statements

## 33. Employee costs

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Employee costs** | | | | |
| Basic | 2 546 937 | 2 702 703 | 2 532 471 | 2 688 381 |
| Commissions | 6 212 | 11 927 | 6 212 | 11 927 |
| 13th Cheque | 146 223 | 169 950 | 144 935 | 168 739 |
| Medical aid - company contributions | 397 177 | 388 614 | 395 703 | 387 145 |
| Unemployment insurance fund | 28 298 | 26 553 | 28 166 | 26 432 |
| Workers compensation assistance | 23 593 | 16 636 | 23 593 | 16 636 |
| Skills development levy | 29 910 | 19 906 | 29 742 | 19 794 |
| Other payroll levies | 62 | 20 | - | 2 |
| Leave pay provision charge | 16 186 | 49 964 | 16 373 | 49 765 |
| Home-owner's allowance | 12 272 | 13 440 | 12 134 | 13 296 |
| Motor scheme management | 10 896 | 10 950 | 10 885 | 10 939 |
| Training expenses | 144 | 451 | 144 | 451 |
| Other short-term costs | 9 691 | 4 741 | 9 426 | 4 479 |
| Retirement benefit plans | 328 937 | 327 131 | 327 159 | 325 370 |
| Termination benefits | 109 514 | 1 534 | 109 514 | 1 534 |
| | **3 666 052** | **3 744 520** | **3 646 457** | **3 724 890** |

# Notes to the Financial Statements

## 34. Depreciation, amortisation and impairment losses

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Depreciation** | | | | |
| Property, plant and equipment | 105 885 | 94 726 | 105 616 | 94 422 |
| Right-of-use assets | 403 527 | 347 294 | 401 785 | 345 320 |
| | **509 412** | **467 758** | **507 401** | **439 742** |
| | | | | |
| **Amortisation** | | | | |
| **Intangible assets** | **6 356** | **11 244** | **6 356** | **11 244** |
| | | | | |
| **Impairment losses** | | | | |
| **Allowance for inventory write-down** | **-** | **(18)** | **-** | **-** |
| | | | | |
| **Total depreciation, amortisation and impairment** | | | | |
| Depreciation | 509 412 | 442 020 | 507 401 | 439 742 |
| Amortisation | 6 356 | 11 244 | 6 356 | 11 244 |
| Impairment losses | - | (18) | - | - |
| | **515 768** | **453 246** | **513 757** | **450 986** |

# Notes to the Financial Statements

## 35. Investment income

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Dividend income** | | | | |
| **Equity instruments at fair value through profit or loss:** | | | | |
| **Unlisted investments - Local** | **15 500** | **17 484** | **15 500** | **17 484** |
| | | | | |
| **Interest income** | | | | |
| **Investments in financial assets:** | | | | |
| Bank and other cash | 77 180 | 31 431 | 76 329 | 30 871 |
| Interest on retirement benefit asset | 979 074 | 756 040 | 979 074 | 756 040 |
| **Total interest income** | **1 056 254** | **787 471** | **1 055 403** | **786 911** |
| **Total investment income** | **1 071 754** | **804 955** | **1 070 903** | **804 395** |

## 36. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Lease liabilities | 39 306 | 62 563 | 38 255 | 61 508 |
| Interest paid (bank) | 25 | 2 223 | - | 854 |
| Unwinding of site restoration provision | 6 706 | - | 6 706 | - |
| Term loan interest | 124 389 | 46 723 | 124 389 | 46 723 |
| Finance charges attributable to post-retirement employee benefits | 812 516 | 770 863 | 812 337 | 770 671 |
| **Total finance costs** | **982 942** | **882 372** | **981 687** | **879 756** |

## 37. Other non-operating gains (losses)

| | | | | |
|---|---|---|---|---|
| **Fair value gains (losses)** | | | | |
| **Post retirement medical aid and Provident fund asset** | **112 201** | **219 833** | **112 201** | **219 833** |

The fair value gains and losses recogised in other financial assets are derived from finacial assets subsequently measured at fair value through profit or loss and relate to Post retirement medical aid asset as well as Provident fund asset. Refer to note 12 for more detail.

# Notes to the Financial Statements

## 38. Taxation

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Major components of the tax expense (income)** | | | | |
| **Current** | | | | |
| **Local income tax - current period** | **275** | **1 420** | **-** | **-** |
| | | | | |
| **Deferred** | | | | |
| **Originating and reversing temporary differences** | **1 577** | **(5 240)** | **-** | **-** |
| | **1 852** | **(3 820)** | **-** | **-** |
| | | | | |
| **Reconciliation of the tax expense** | | | | |
| Reconciliation between applicable tax rate and average effective tax rate. | | | | |
| Applicable tax rate | 28.00 % | 28.00 % | 28.00 % | 28.00 % |
| Exempt income | (6.07) % | (6.39) % | (31.25) % | (13.03) % |
| Disallowable charges | 8.70 % | 3.62 % | 36.01 % | 14.96 % |
| Net deferred tax not raised | (30.63) % | (25.23) % | (32.76) % | (29.93) % |
| | **- %** | **- %** | **- %** | **- %** |

# Notes to the Financial Statements

## 39. Cash generated from/(used in) operations

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Loss before taxation | (2 179 391) | (2 355 694) | (2 193 971) | (2 352 747) |
| | | | | |
| **Adjustments for:** | | | | |
| Depreciation and amortisation | 515 768 | 453 246 | 513 757 | 450 986 |
| Fair value gains in PRMA financial asset | (112 201) | (219 833) | (112 201) | (219 833) |
| Other operating expenses | 158 361 | 86 999 | 100 067 | 84 546 |
| Asset retirements and changes in accounting estimate | 115 549 | 13 019 | 13 019 | 13 019 |
| Fair value (gains) losses | (53 826) | 1 306 | (45 684) | (4 689) |
| Losses on foreign exchange | 1 893 | 337 | 1 893 | 337 |
| Other non-operating gains (losses) | - | - | - | (175) |
| Dividends received (trading) | (15 500) | (17 484) | (15 500) | (17 484) |
| Interest income | (1 056 254) | (787 471) | (1 055 403) | (786 911) |
| Finance costs | 982 942 | 882 372 | 981 687 | 879 756 |
| Borrowings (Postbank) | 5 147 | 6 623 | 5 147 | 6 623 |
| Government grants | (93 424) | (101 074) | (93 424) | (101 074) |
| Movements in operating lease assets and accruals | 4 417 | 3 408 | 4 294 | 3 003 |
| Movements in provisions | (20 129) | (174 762) | (19 992) | (173 458) |
| Movements in retirement benefit assets and liabilities | (138 395) | (155 170) | (138 485) | (154 818) |
| Changes in working capital: | - | - | - | - |
| Inventories | 7 857 | 20 511 | 8 145 | 20 472 |
| Trade and other payables | 627 954 | 3 245 437 | 625 155 | 3 251 440 |
| Trade and other receivables | (80 195) | (407 113) | (17 190) | (406 562) |
| Deferred income | (37 477) | (50 424) | (35 408) | (50 298) |
| Prepayments | (34) | (8) | (34) | (8) |
| Funds collected on behalf of third parties | 90 969 | 206 519 | 90 969 | 206 519 |
| Contract liabilities | (266) | 108 | - | - |
| Deposits from the public | 7 | - | 7 | - |
| | **(1 276 228)** | **650 852** | **(1 383 152)** | **648 644** |

# Notes to the Financial Statements

## 40. Tax paid

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Balance at beginning of the year | 8 | (119) | - | - |
| Current tax for the year recognised in profit or loss | (275) | (1 420) | - | - |
| Adjustment in respect of businesses sold and acquired during the year including exchange rate movements | (1 577) | - | - | - |
| Balance at end of the year | (1 976) | (8) | - | - |
| | **(3 820)** | **(1 547)** | **-** | **-** |

## 41. Related parties

| **Relationships** | |
|---|---|
| Ultimate parent | South African Government |
| Holding company | South African Post Office SOC Ltd (SA Post Office) |
| Subsidiaries | Refer to note 8 |
| Shareholders with significant influence | The Department of Communication and Digital Technology |
| | National Treasury |
| Post employment benefit plan for employees | Post Office Retirement Fund |
| Other relationships | South African Government Entities |

**Intragroup transactions and balances**

Balances and transactions between the Company and its subsidiaries, which are related parties of SAPO, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

Terms loans: Unsecured, interest free and no repayment date.

Terms receivables: Unsecured, interest at prime and no repayment date. Inter governmental transactions and balances

Inter governmental transactions and balances refers to transactions and balances between SAPO and other government entities.

Only individually significant transactions and balances are disclosed. According to the materiality framework of SAPO, the significant threshold is R100 million. Transactions and balances that are not at arm's length are considered to be significant even if they are below the R100 million threshold. All inter governmental transactions have been made at arm's length.

# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Loan accounts - Owing (to) by related parties** | | | | |
| SA Post Office Properties (Bloemfontein) (Pty) Ltd | - | - | 506 | 426 |
| SA Post Office Properties (Cape town) (Pty) Ltd | - | - | (600) | (390) |
| SA Post Office Properties (East Rand) (Pty) Ltd | - | - | 5 020 | 3 605 |
| SA Post Office Properties (Port Elizabeth) (Pty) Ltd | - | - | (847) | (485) |
| SA Post Office Properties (Rossburgh) (Pty) Ltd | - | - | (562) | (2 739) |
| The Courier and Freight Group (Pty) Ltd | - | - | 703 996 | 703 899 |
| South African Social Services Agency | (24 969) | (152 097) | (24 969) | (152 097) |
| | | | | |
| **Amounts included in Trade Payables regarding related parties** | | | | |
| Post Office Retirement Fund | (768 760) | (436 784) | (768 760) | (436 784) |
| Postbank SOC Limited | (2 844 104) | (3 597 169) | (2 844 104) | (3 597 169) |
| South African Revenue Services (Employee tax & other taxes) | (486 689) | (238 957) | (486 689) | (238 957) |
| South African Revenue Services (Value added tax) | (443 893) | (276 014) | (443 893) | (276 014) |
| Telkom SA Limited | (118 540) | (172 193) | (118 540) | (172 193) |
| Other public entities | (84 097) | (66 129) | (84 097) | (66 129) |
| | | | | |
| **Amounts included in Trade Receivables regarding related parties** | | | | |
| South African Social Services Agency | 93 876 | 337 176 | 93 876 | 337 176 |
| Other public entities | (15 598) | 27 298 | (15 598) | 27 298 |
| | | | | |
| **Grant subsidy balance** | | | | |
| Department of Communications and Digital Technologies | (58 810) | (152 234) | (58 810) | (152 234) |
| | | | | |
| **Related party transactions** | | | | |
| **Transactions with subsidiaries** | | | | |
| The Document Exchange (Pty) Ltd - Sales | - | - | 1 484 | 7 048 |
| | | | | |
| **Purchases from related parties** | | | | |
| Eskom SOC Limited | (34 863) | (104 998) | (34 863) | (104 998) |
| Telkom SA Limited | (326 100) | (398 821) | (326 100) | (398 821) |
| Other public entities | (84 091) | (66 109) | (84 091) | (66 109) |

# Notes to the Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Sales to related parties** | | | | |
| South African Social Services Agency | 1 249 858 | 2 531 933 | 1 249 858 | 2 531 933 |
| Other public entities | 313 715 | 241 191 | 313 715 | 241 191 |
| Postbank SOC Limited | 118 056 | 145 482 | 118 056 | 145 482 |
| | | | | |
| **Transactions with authorities & regulators** | | | | |
| South African Revenue Services (Employee tax & other taxes) | (232 356) | (274 335) | (232 356) | (274 335) |
| Unemployment insurance fund | (48 985) | (46 562) | (48 985) | (46 562) |
| | | | | |
| **Funds collected on behalf of third parties** | | | | |
| Eskom SOC Limited | - | 119 683 | - | 119 683 |
| Post Office Retirement Fund | (426 286) | (495 402) | (426 286) | (495 402) |
| South African Broadcasting Corporation Limited | (98 358) | (131 330) | (98 358) | (131 330) |
| Other public entities | (28 551) | (49 750) | (28 551) | (49 750) |
| | | | | |
| **Other transactions** | | | | |
| Department of Communications and Digital Technologies - Grant subsidy | 542 655 | 492 085 | 542 655 | 492 085 |

The remuneration of directors and other members of key management amounted to R23 899 million (2021: R34 573 million).

The assets and liabilities of the post-retirement fund and the post-retirement medical aid are valued through an independent valuation. Refer to note 12 for the detailed disclosure.

# Notes to the Financial Statements

## 42. Directors' and prescribed officers' emoluments

The following emoluments were paid to the directors or any individuals holding a prescribed office during the year:

| Executive 2022 | | Emoluments | Other benefits [1] | Compensation for loss of office | Arbitration award | Total |
|---|---|---|---|---|---|---|
| | | | | | | |
| Ms NP Mona | 2 | 3 992 | - | - | - | 3 992 |
| Mr L Govender | 3 | 2 126 | 77 | - | - | 2 203 |
| Ms Z Ntsikeni | 4 | 2 594 | 115 | - | - | 2 709 |
| | | **8 712** | **192** | **-** | **-** | **8 904** |

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as CEO on 1 April 2021.
3. Appointed as Acting Group CFO on 1 June 2020 - 30 September 2020. Re-appointed as Acting Group CFO on 1 January 2021.
4. Appointed as GE: Operations on 1 April 2019. Appointed as Acting COO on 1 April 2021 - 31 August 2021.

Retired implies resigned, retired or dismissed.

| Executive 2021 | | Emoluments | Other benefits [1] | Compensation for loss of office | Arbitration award | Total |
|---|---|---|---|---|---|---|
| Mr L Govender | 2 | 1 024 | 109 | - | - | 1 133 |
| Mr RG Kekana | 3 | 1 636 | 253 | 122 | - | 2 011 |
| Ms Z Ntsikeni | 4 | 2 457 | 115 | - | - | 2 572 |
| Ms LO Kwele | 5 | 3 329 | 20 | 260 | 3 740 | 7 349 |
| Ms R Langa | 6 | - | 238 | - | - | 238 |
| Mr IA Nongogo | 7 | 1 122 | 358 | 88 | - | 1 568 |
| Mr K Ramukumba | 8 | 683 | 6 | 50 | - | 739 |
| Mr PR Tsotetsi | 9 | - | - | - | - | - |
| | | **10 251** | **1 099** | **520** | **3 740** | **15 610** |

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Acting CFO on 1 June 2020 - 30 September 2020. Re-appointed as Acting Group CFO on 1 January 2021.
3. Appointed as CIO on 6 May 2019. Appointed as Acting COO on 23 March - 21 November 2020. Retired 21 January 2021.
4. Appointed as GE: Operations on 1 April 2019. Appointed as Acting COO on 1 April 2021 - 31 August 2021.
5. Appointed as GCOO on 5 June 2017. Suspended on 3 December 2019. Retired 31 January 2021.
6. Appointed as Acting CEO on 14 September 2020. Retired 31 March 2021.
7. Appointed as Acting GE: Governance and Compliance on 1 July 2018. Appointed as Acting CEO on 4 December 2019 - 24 July 2020. Retired 31 January 2021.
8. Appointed as GCFO on 1 October 2020. Retired 31 December 2020
9. Appointed as Acting GCFO on 1 March 2020. Retired 31 May 2020.

Retired implies resigned, retired or dismissed.

# Notes to the Financial Statements

| Non-executive 2022 | | Directors' fees | Other fees [1] | Other fees (Consultancy fees to subsidiary) | Total |
|---|---|---|---|---|---|
| | | | | | |
| Mr SLM Majombozi | 2 | 355 | - | - | 355 |
| Ms NP Ngonyama | 3 | 303 | - | - | 303 |
| Mr ET Lekgau | 4 | 290 | - | - | 290 |
| Mr ST Nkese | 5 | 186 | - | - | 186 |
| Ms S Phillip | 6 | 124 | - | - | 124 |
| Ms CM van der Sandt | 7 | 607 | - | - | 607 |
| Mr TJ Ntetho | 8 | 247 | - | - | 247 |
| Ms YLM Manzini | 9 | 318 | - | - | 318 |
| Ms N Pietersen | 10 | 268 | - | - | 268 |
| | | **2 698** | **-** | **-** | **2 698** |

1. Emoluments include both directors' fees for meetings and annual / quarterly retainer fees. Travel and accommodation expenses for members outside the Gauteng province.
2. Appointed as Acting Deputy on 2 September 2020.
3. Appointed 25 October 2019.
4. Appointed 1 September 2020. Resigned 14 February 2022.
5. Appointed 25 October 2019.
6. Appointed 4 September 2020.
7. Appointed as Deputy Chairperson on 25 October 2019. Resigned 6 August 2020. Re-appointed as Acting Chairperson on 7 August 2020. Resigned 5 January 2022.
8. Appointed 1 June 2021.
9. Appointed 3 September 2020.
10. Appointed 1 September 2020. Resigned 27 January 2022.

The note excludes the stamp advisory members which result in the difference between the expense amount and the disclosure amount.

# Notes to the Financial Statements

| Non-executive 2021 | | Directors' fees | Other fees [1] | Other fees (Consultancy fees to subsidiary) | Total |
|---|---|---|---|---|---|
| | | | | | |
| Mr SLM Majombozi | 2 | 284 | 1 | - | 285 |
| Ms NP Ngonyama | 3 | 481 | 8 | - | 489 |
| Mr ET Lekgau | 4 | 302 | 1 | - | 303 |
| Mr ST Nkese | 5 | 518 | 6 | - | 524 |
| Ms S Phillip | 6 | 246 | - | - | 246 |
| Ms CM van der Sandt | 7 | 946 | 4 | - | 950 |
| Ms YLM Manzini | 8 | 256 | - | - | 256 |
| Ms N Pietersen | 9 | 293 | - | - | 293 |
| Ms TC Makhubele | 10 | 499 | 5 | - | 504 |
| Mr S Manthakga | 11 | 118 | 1 | - | 119 |
| Mr KA Ramoadi | 12 | 169 | - | - | 169 |
| | | **4 112** | **26** | **-** | **4 138** |

1. Emoluments include both directors' fees for meetings and annual / quarterly retainer fees. Travel and accommodation expenses for members outside the Gauteng province.
2. Appointed as Acting Deputy Chairperson on 2 September 2020.
3. Appointed 25 October 2019.
4. Appointed 1 September 2020. Resigned 14 February 2022.
5. Appointed 25 October 2019.
6. Appointed 4 September 2020.
7. Appointed 25 October 2019 as Deputy Chairperson. Resigned 6 August 2020. Re-appointed as Acting Chairperson 7 August 2020. Resigned 5 January 2022.
8. Appointed 3 September 2020.
9. Appointed 1 September 2020. Resigned 27 January 2022.
10. Appointed 25 October 2019. Resigned 23 October 2020.
11. Appointed 1 May 2020. Resigned 20 August 2020
12. Appointed 5 October 2019. Resigned 20 August 2020.

The note excludes the stamp advisory members which result in the difference between the expense amount and the disclosure amount.

# Notes to the Financial Statements

| Prescribed officers 2022 | | Emoluments | Other benefits | Compensation for loss of office (Leave pay) | Total |
|---|---|---|---|---|---|
| | | | | | |
| Mr J Binedell | 2 | 1 016 | 104 | - | 1 120 |
| Mr D Dada | 3 | 1 721 | 23 | - | 1 744 |
| Ms L Mabena | 4 | 842 | 132 | - | 974 |
| Mr B Mgoza | 5 | 2 440 | 9 | - | 2 449 |
| Ms K Rapoo | 6 | 1 451 | - | - | 1 451 |
| Mr N Ruthnam | 7 | 744 | 66 | 83 | 893 |
| Ms Sontange | 8 | 1 360 | 57 | - | 1 417 |
| Mr G Bataille | 9 | 538 | 4 | - | 542 |
| Mr M Sibiya | 10 | 1 033 | 37 | - | 1 070 |
| Mr Motjale | 11 | 393 | 4 | 240 | 637 |
| | | **11 538** | **436** | **323** | **12 297** |

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Acting Chief Audit Executive on 28 October 2020.
3. Company Secretary from 01 August 2017.
4. Appointed as Acting GE: Human Resources on 01 March 2021 - 31 March 2022.
5. Appointed as GM: Real Estate on 01 August 2015.
6. Appointed as GM: Risk Management on 01 February 2003.
7. Appointed as Acting GE: Strategy on 7 July 2018. Retired 31 October 2021.
8. Appointed as Acting GE: Supply Chain Management on 5 December 2019.
9. Appointed as Acting GE: Strategy on 1 November 2021.
10. Appointed as Acting GE: Sales on 1 April 2021 - 31 March 2022.
11. Appointed as GE: Supply Chain Management. Precautionary suspension on 03 December 2019. Retired 31 May 2021.

Retired implies resigned, retired or dismissed.

# Notes to the Financial Statements

| Prescribed officers 2021 | | Emoluments | Other benefits | Compensation for loss of office (Leave pay) | Total |
|---|---|---|---|---|---|
| | | | | | |
| Mr J Binedell | 2 | 415 | 122 | - | 537 |
| Mr D Dada | 3 | 1 631 | 23 | - | 1 654 |
| Ms L Mabena | 4 | 70 | 1 | - | 71 |
| Mr B Mgoza | 5 | 2 313 | 9 | - | 2 322 |
| Mr Motjale | 6 | 2 222 | 23 | - | 2 245 |
| Mr JT Nanyane | 7 | 1 255 | 201 | - | 1 456 |
| Mr CA Phillips | 8 | 868 | 12 | 56 | 936 |
| Ms K Rapoo | 9 | 1 375 | - | - | 1 375 |
| Mr N Ruthnam | 10 | 1 207 | 231 | - | 1 438 |
| Ms Sontange | 11 | 1 292 | 177 | - | 1 469 |
| Ms A Spies | 12 | 982 | 311 | 29 | 1 322 |
| | | **13 630** | **1 110** | **85** | **14 825** |

1. Other benefits include mainly telephone and acting allowance.
2. Appointed as Acting Chief Audit Executive on 28 October 2020.
3. Company Secretary from 1 August 2017.
4. Appointed as Acting GE: Human Resources on 1 March 2021.
5. Appointed as GM: Real Estate.
6. Appointed as GE: Supply Chain Management. Resigned 13 May 2021.
7. Appointed as Acting GE: Sales on 1 June 2018.
8. Chief Audit Executive. Retired 30 September 2020.
9. Appointed as GM: Risk Management.
10. Appointed as Acting GE: Strategy on 7 July 2018.
11. Appointed as Acting GE: Supply Chain Management on 5 December 2019.
12. Appointed as Acting GE: Human Resources on 18 September 2019 - 28 February 2021. Retired 31 March 2021.

Retired implies resigned, retired or dismissed.

## 43. Comparative figures and prior period errors Overview

The comparative figures for the separate and consolidated annual financial statements have been restated due to various errors and reclassifications. The Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 31 March 2020 is therefore presented in these consolidated financial statements due to the retrospective correction of errors.

Narrative disclosures have been provided only for individually or collectively material misstatements (i.e. those that could reasonably be expected to influence economic decisions users make on the basis of the financial statements). The quantitative threshold or qualitative considerations of the error, or a combination of both, were considered when determining whether the error is material or not.

The subsidiaries did not contain material changes from that which was previously disclosed, thus only the company's restatements and errors are presented below.

The effects of the restatements are as follows:

# Notes to the Financial Statements

| **Company - 2021** | | | **Statement of Financial Position** | | |
|---|---|---|---|---|---|
| **Figures in Rand thousand** | | **2021 (Previously stated)** | **Correction of account classification errors** | **Correction of account balances** | **2021 (Restated)** |
| | | | | | |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 43.1 & 43.2 | 2 080 713 | (98 152) | 322 505 | 2 305 066 |
| Loans to group companies | 43.7 | 5 746 | (5 746) | - | - |
| Right-of-use assets | 43.2 | 625 377 | 98 152 | (99 149) | 624 380 |
| | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 43.4 & 43.7 | 1 686 752 | 77 883 | (290) | 1 764 345 |
| Loans to group companies | | - | 13 620 | (13 620) | - |
| Cash and cash equivalents | 43.4 | 1 715 747 | (90 800) | - | 1 624 947 |
| | | | | | |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Reserves | 43.1 | (1 503 921) | - | (322 180) | (1 826 101) |
| Retained income (before loss for the year) | 43.10 | 9 871 508 | - | (184 596) | 9 686 912 |
| | | | | | |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 43.2 | (349 227) | - | 5 595 | (343 632) |
| Provisions | 43.3 & 43.5 | (284 386) | - | 178 918 | (105 468) |
| Borrowings | | (202 750) | 202 750 | - | - |
| | | | | | |
| **Current liabilities** | | | | | |
| Lease liabilities | 43.2 | (365 668) | - | 113 802 | (251 866) |
| Provisions | 43.3 & 43.5 | (368 490) | 78 863 | 1 074 | (288 553) |
| Trade and other payables | 43.6 & 43.7 | (6 985 404) | (78 913) | (22 915) | (7 087 232) |
| Funds collected on behalf of third parties | 43.7 | (381 745) | 4 821 | - | (376 924) |
| Borrowings | 43.9 | - | (202 750) | - | (202 750) |
| **Effect on statement of financial position** | | **-** | **(272)** | **(20 856)** | **-** |

# Notes to the Financial Statements

| Company - 2021 | Statement of Profit or Loss and Other Comprehensive Income | | | | |
|---|---|---|---|---|---|
| **Figures in Rand thousand** | | **2021 (Previously stated)** | **Correction of account classification errors** | **Correction of account balances** | **2021 (Restated)** |
| | | | | | |
| **Revenue** | 43.11 | **2 896 847** | 94 382 | - | 2 991 232 |
| **Other operating income** | 43.11 | **850 645** | (98 604) | (442) | 751 599 |
| **Other operating gains (losses)** | | | | | |
| Foreign exchange gains (losses) | | **-** | (337) | - | (337) |
| Gains (losses) on disposals, scrappings and settlements | 43.1 | **-** | (13 019) | - | (13 019) |
| | | | | | |
| **Other operating expenses** | 43.11 | **(1 732 235)** | (17 152) | (223 037) | (1 972 424) |
| Transport cost | 43.11 | **(105 838)** | 22 755 | - | (83 083) |
| Employee cost | 43.11 | **(3 730 228)** | 5 338 | - | (3 724 890) |
| | | | | | |
| **Total depreciation, amortisation and impairments** | | | | | |
| Depreciation of property plant and equipment | 43.2 & 43.3 | **(558 595)** | - | 118 853 | (439 742) |
| Impairments | | **(2 247)** | 2 247 | - | - |
| | | | | | |
| **Finance cost** | | | | | |
| Unwinding of site restoration provision | 43.3 | **(23 606)** | - | 23 606 | - |
| Term loan interest | 43.8 | **(95 648)** | - | 48 925 | (46 723) |
| Finance leases | 43.2 | **(72 747)** | - | 11 239 | (61 508) |
| | | | | | |
| **Fair value adjustments** | | | | | |
| Post Retirement Medical Aid asset and Providend Fund asset | | **215 718** | 4 115 | - | 219 833 |
| **Net effect on loss for the year** | | **-** | **(272)** | **(20 856)** | **-** |

# Notes to the Financial Statements

| Company - 2020 | | Statement of Financial Position | | | |
|---|---|---|---|---|---|
| **Figures in Rand thousand** | | **2020 (Previously stated)** | **Correction of account classification errors** | **Correction of account balances** | **2020 (Restated)** |
| | | | | | |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Right-of-use assets | 43.2 | **937 589** | 63 531 | (279 602) | 721 518 |
| Property, plant and equipment | 43.1 | **2 051 477** | (63 531) | - | 1 987 946 |
| Intragroup loans and receivables | 43.7 | **4 895** | (4 895) | - | - |
| | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 43.4 & 43.7 | **1 188 408** | 126 937 | - | 1 315 345 |
| Loans to group companies | 43.7 | **-** | 164 | (164) | - |
| Cash and cash equivalents | 43.4 | **1 686 205** | (131 400) | - | 1 554 805 |
| | | | | | |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Retained income (before loss for the year) | 43.10 | **9 715 138** | (1 123) | 341 983 | 10 055 998 |
| Net corrections in income statement | | **-** | 1 390 | (368 378) | (366 988) |
| | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 43.9 | **(196 127)** | 196 127 | - | - |
| Lease liabilities | 43.2 | **(590 387)** | - | (5 131) | (595 518) |
| | | | | | |
| **Current liabilities** | | | | | |
| Lease liabilities | 43.2 | **(438 804)** | - | 311 292 | (127 512) |
| Trade and other payables | 43.6 & 43.7 | **(3 725 437)** | (66 246) | - | (3 791 683) |
| Funds collected on behalf of third parties | 43.7 | **(177 084)** | 6 678 | - | (170 406) |
| Borrowings | 43.9 | **-** | (196 127) | - | (196 127) |
| Provisions | 43.3 & 43.5 | **(328 891)** | 68 495 | - | (260 396) |
| **Net effect on statement of financial position** | | **-** | **-** | **-** | **-** |

# Notes to the Financial Statements

**43.1 Property, plant and equipment**

Land and buildings in property plant and equipment (PPE) were externally valued in 2017. Since 2017, there has been no further external valuation, nor internal re-valuation exercise performed. Management concluded, as a result, that the measurement of these assets had materially diverged from their valuation had the revaluation model been consistently applied in the years leading up to 2021.

An internal revaluation of PPE land and buildings was therefore performed in the current financial year, utilising the techniques and methodologies applied by the external valuers in 2017. The internal revaluation of PPE properties resulted in the recognition of new movements in PPE attributable to revaluation of land and buildings, as presented in the reconciliations of property, plant and equipment in note 3 to the AFS.

In addition the (2021) comparatives include R13,019k in previously ommitted losses on disposal of PPE.

The site restoration asset class (2021: R98,152k; 2020: R63,531k), previously accounted for under Property, plant and equipment, was moved to Right-of-use assets as it relates to assets leased by the Company.

**43.2 Right-of-use assets**

Lease liabilities (together with right of use (ROU) assets, depreciation (of ROU assets), and finance costs attributable to finance leases) were restated to account for corrections to the composition of the Company's underlying lease list, and changes to the discount rates applied. The correction also resulted in a R167k restatement of other income attributable to remeasurement of ROU asset and liability.

The site restoration asset class (2021: R98,152k; 2020: R63,531k), previously accounted for under Property, plant and equipment, was moved to Right-of-use assets as it relates to assets leased by the Company.

**43.3 Site restoration provision**

Management evaluated the Company's approach for determining the measurement of the site restoration liability provision, and flaws in the nature of inputs applied at the time led management concluded that a material overstatement of the provision for 2021 had occurred. A new methodology was developed in the current year and retrospectively applied, resulting in the restatement of the provision, with concommitant effects on property, plant and equipment, depreciation, and finance costs attributable to the provision.

**43.4 Trade and other receivables**

Changes to trade other receivables consist primarily of the effect reclassifications of Cash in transit accounts (R90,800k) which were previously accounted for as Cash and cash equivalents.

Amounts previously treated as loans to group companies (R5,526k) were reclassified as Trade and other receivables.

Additional amounts were reclassified out of funds collected on behalf of third parties and into trade and other receivables (R7,325k) (or payables) as relevant.

Within trade and other receivables, an amount previously accounted for as Employee costs in advance (R 77,462k) was moved to Other receivables.

**43.5 Provisions**

Contractual 13th cheques, previously accounted for as provisions (2021: R78,863), are now accrued for in Trade and other payables.

**43.6 Trade and other payables**

Changes to trade other payables consist primarily of the effect reclassifications and journals from loans to group companies, discussed in further detail below.

Further amounts were reclassified out of funds collected on behalf of third parties and into trade and other payables (R -5,171) (or receivables) as relevant.

Contractual 13th cheques, previously accounted for as provisions, are R78,863, are now accrued for in Trade and other payables.

**43.7 Loans to group companies / Intragroup loans and receivables**

In 2021, loans to group companies included amounts held or owed by SAPO on behalf of the property companies. Upon assessing the character of these amounts (R13,620), management determined that their treatment was incorrect, and reallocated them to trade and other receivables and

# Notes to the Financial Statements

payables accordingly. In addition, adjustments were passed to align balances presented in SAPO's Financial statements with those recorded at subsidiary level where relevant. Loans to group companies were further classified as current, as they do not carry any payment terms.

**43.8 Finance cost: Term loan interest**

Finance costs in previous years included interest or R48,926k attributable to a loan with Postbank. Following an exercise by SAPO and Postbank to reconcile the loan between the two entities, it was determined that the interest should be derecognised retrospectively as the loan did not carry with it any terms that required SAPO to pay these amounts.

**43.9 Borrowings**

Borrowings were classified as current on the basis that SAPO has no contractual right to unilaterally defer settlement of the liability for at least twelve months after the reporting period.

**43.10 Retained income**

Restatements to retained income represents the cumulative effect of the corrections and reclassifications discussed above.

**43.11 Revenue, Other operating income, Other operating expenses**

Management evaluated the classifications of income statement items in the current financial year, with the objectives of yielding a classification scheme that reflected the true nature of income and expenditure items, achieving better alignment between externally reported information and that which is used internally for decision-making purposes, and enhancing the auditability of income statement items by disaggregating the amounts presented herein.

Corrective journals passed included entries related to short term leases (R 70 067) and intercompany adjustments (R66 805).

# Notes to the Financial Statements

## 44. Financial instruments and risk management

**Categories of financial in-struments**

| Group - 2022 | | Categories of financial assets | | | | |
|---|---|---|---|---|---|---|
| | Note(s) | Fair value through other comprehensive income - equity instruments | Fair value through profit or loss | Amortised cost | Total | Fair value |
| | | | | | | |
| Other financial assets | 10 | 129 986 | 503 476 | - | 633 462 | 633 462 |
| Trade and other receivables | 14 | - | - | 1 813 331 | 1 813 331 | 1 813 331 |
| Cash and cash equivalents | 16 | - | - | 605 642 | 605 642 | 605 642 |
| | | **129 986** | **503 476** | **2 418 973** | **3 052 435** | **3 052 435** |

| Group - 2021 | | Categories of financial assets | | | | |
|---|---|---|---|---|---|---|
| | Note(s) | Fair value through other comprehensive income - equity instruments | Fair value through profit or loss | Amortised cost | Total | Fair value |
| | | | | | | |
| Other financial assets | 10 | 133 639 | 1 246 380 | - | 1 380 019 | 1 380 019 |
| Trade and other receivables | 14 | - | - | 1 768 902 | 1 768 902 | 1 768 902 |
| Cash and cash equivalents | 16 | - | - | 1 649 308 | 1 649 308 | 1 649 308 |
| | | **133 639** | **1 246 380** | **3 418 210** | **4 798 229** | **4 798 229** |

# Notes to the Financial Statements

| Company - 2022 | Categories of financial assets | | | | | |
|---|---|---|---|---|---|---|
| | Note(s) | Fair value through other comprehensive income - equity instruments | Fair value through profit or loss | Amortised cost | Total | Fair value |
| | | | | | | |
| Other financial assets | 10 | 129 986 | 503 476 | - | 633 462 | 633 462 |
| Trade and other receivables | 14 | - | - | 1 807 545 | 1 807 545 | 1 807 545 |
| Cash and cash equivalents | 16 | - | - | 580 174 | 580 174 | 580 174 |
| | | **129 986** | **503 476** | **2 387 719** | **3 021 181** | **3 021 181** |

| Company - 2021 | Categories of financial assets | | | | | |
|---|---|---|---|---|---|---|
| | Note(s) | Fair value through other comprehensive income - equity instruments | Fair value Amortised cost through profit or loss | Amortised cost | Total | Fair value |
| | | | | | | |
| Other financial assets | 10 | 133 639 | 1 246 380 | - | 1 380 019 | 1 380 019 |
| Trade and other receivables | 14 | - | - | 1 761 639 | 1 761 639 | 1 761 639 |
| Cash and cash equivalents | 16 | - | - | 1 624 947 | 1 624 647 | 1 624 947 |
| | | **133 639** | **1 246 380** | **3 386 586** | **4 766 605** | **4 766 605** |

# Notes to the Financial Statements

| Group - 2022 | Categories of financial liabilities | | | |
|---|---|---|---|---|
| | Note(s) | Amortised cost | Total | Fair value |
| Trade and other payables | 23 | 7 328 982 | 7 328 982 | 7 328 982 |
| Borrowings | 20 | 207 897 | 207 897 | 207 897 |
| Financial liabilities at amortised cost | 24 | 24 969 | 24 969 | 24 969 |
| Lease liabilities | 4 | 354 271 | 354 271 | 354 271 |
| Funds collected on behalf of third parties | 27 | 467 893 | 467 893 | 467 893 |
| | | **8 384 012** | **8 384 012** | **8 384 012** |

| Group - 2021 | Categories of financial liabilities | | | |
|---|---|---|---|---|
| | Note(s) | Amortised cost | Total | Fair value |
| Trade and other payables | 23 | 6 859 243 | 6 859 243 | 6 859 243 |
| Borrowings | 20 | 202 750 | 202 750 | 202 750 |
| Financial liabilities at amortised cost | 24 | 152 097 | 152 097 | 152 097 |
| Lease liabilities | 4 | 607 300 | 607 300 | 607 300 |
| Funds collected on behalf of third parties | 27 | 376 924 | 376 924 | 376 924 |
| | | **8 198 314** | **8 198 314** | **8 198 314** |

| Company - 2022 | Categories of financial liabilities | | | |
|---|---|---|---|---|
| | Note(s) | Amortised cost | Total | Fair value |
| Trade and other payables | 23 | 7 275 911 | 7 275 911 | 7 275 911 |
| Borrowings | 20 | 207 897 | 207 897 | 207 897 |
| Financial liabilities at amortised cost | 24 | 24 969 | 24 969 | 24 969 |
| Lease liabilities | 4 | 343 632 | 343 632 | 343 632 |
| Funds collected on behalf of third parties | 27 | 467 893 | 467 893 | 467 893 |
| | | **8 320 302** | **8 320 302** | **8 320 302** |

| Company - 2021 | Categories of financial liabilities | | | |
|---|---|---|---|---|
| | Note(s) | Amortised cost | Total | Fair value |
| Trade and other payables | 23 | 6 808 998 | 6 808 998 | 6 808 998 |
| Borrowings | 20 | 202 750 | 202 750 | 202 750 |
| Financial liabilities at amortised cost | 24 | 152 097 | 152 097 | 152 097 |
| Lease liabilities | 4 | 595 518 | 595 518 | 595 518 |
| Funds collected on behalf of third parties | 27 | 376 924 | 376 924 | 376 924 |
| | | **8 136 287** | **8 136 287** | **8 136 287** |

# Notes to the Financial Statements

**Capital risk management**

Capital risk refers to the risk that the Group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business. The management of capital risk will ensure that opportunities can be acted on timeously while solvency is never threatened.

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 9, 24, 22 & 26, equity disclosed in note 18 and cash and cash equivalents disclosed in note 16 in the statement of financial position. Refer to note 49 for further context on the group's exposure to risk capital.

The group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The group's exposure to capital risk arises from primarily the following:

- Funds which are being received from the shareholder may cease before completion of the projects that they are intended to be financed; and
- Funds received from the shareholder are specifically for certain identified projects.

Capital risk is managed in terms of certain guidelines agreed between the group and shareholder. There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 31 March 2022 and 31 March 2021 respectively were as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| **Figures in Rand thousand** | | **2022** | **2021** | **2022** | **2021** |
| | | | | | |
| Financial liabilities at amortised cost | 24 | 24 969 | 152 097 | 24 969 | 152 097 |
| Deferred income | 26 | 81 639 | 119 116 | 77 074 | 112 482 |
| Provisions | 22 | 381 861 | 395 984 | 380 034 | 394 021 |
| **Total borrowings** | | **488 469** | **667 197** | **482 077** | **658 600** |
| | | | | | |
| Cash and cash equivalents | 16 | 605 642 | 1 649 308 | 580 174 | 1 624 947 |
| **Net borrowings** | | **117 173** | **982 111** | **98 097** | **966 347** |
| | | | | | |
| Equity | | (4 081 666) | (2 037 374) | (4 098 659) | (2 049 449) |
| Gearing ratio | | (3)% | (48)% | (2)% | (47)% |

# Notes to the Financial Statements

**Financial risk management**

**Overview**

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

A comprehensive treasury policy has been compiled and approved by the board to ensure that all financial risks to which the group is exposed are understood and managed. The treasury policy covers all key areas of risk management namely identification, measurement, management and reporting of risk. Governance structures are in place to achieve effective independent monitoring and management of market risks through:

- The group's Asset and Liability Management (ALM) function that is responsible for the day to day monitoring, evaluation and reporting of all market risks;
- The board's Group Risk Committee which is responsible for ensuring that from a strategic perspective, risk is handled as an area of competitive advantage and a key source of innovation; and

**Finance risk management objectives**

The Group's ALM function monitors and manages market risks relating to the treasury operations of the Group through internal risk reports which analyze the degree and magnitude of risks. These risks include fair value interest rate risk, currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimize the effects of the negative impact of these risks by ensuring compliance with the treasury policy limits and benchmarks with regard to the following:

- Proposed money market investment strategies do not result in the breach of asset/liability mismatch gap limit;
- Ensuring that the net interest income volatility is within approved benchmark;
- Adequate overnight liquidity limit is complied with by having sufficient overnight callable balances;
- The South African Post Office (SOC) Limited's credit exposure in the investment portfolio is diversified across a range of acceptable counterparties and the maximum investment with a particular counterparty will be limited to 25% of the total counterparty should be limited to 50% + 1 of the total investment and not exceeding R25 million investments. Where the amount to be invested per counterparty is less than or equal to R50 million, the minimum investment with any one counterparty should be limited to 50% + 1 of the total investment and not exceeding R25 million; and
- Instruments limits are set to avoid excess concentration in any given financial investment instrument.

Overall the Group's main financial risk management objective is to ensure enhanced return within the risk profiles or parameters approved by the Board.

**Fair value assumptions of financial instruments**

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of foreign currency forward contracts is measured using quoted forward exchange rates and interest rate differential between local and foreign rates derived from quoted interest rates matching maturities of contracts.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in the financial loss to the Group.

# Notes to the Financial Statements

The Group's exposure to credit risk arises primarily from credit sales to its clients and money market investment activities. Credit risk is managed in terms of the Board approved Group treasury risk policy, which in turn encompasses comprehensive credit procedures, limits and governance structure. Formal credit ratings are utilized in the credit evaluation process of the counterparties.

The minimum credit ratings for counterparties are Fitch National Long Term Rating 'A' and Fitch National Short term Rating 'F1' The credit quality of counterparties is monitored by the Group ALM function. The Group credit exposure is diversified across a range of acceptable counterparties and the max-imum investment with any counterparty is limited to 25% of total investments. All counterparty limits are reviewed in line with the balance sheet growth and at least on an annual basis.

It is the responsibility of the Group ALM function to monitor compliance with the approved counterparty credit limits and any breach is reported to the monthly Group ALCO meeting.

All financial assets except for those that are measured at fair value through profit or loss are assessed to determine any evidence of impairment. Any deterioration in any counterparty credit rating is regarded as evidence of impairment. During the course of the year, there was no evidence of impairment observed in amortised cost financial assets and fair value through other comprehensive income (OCI) assets held by the group.

The group credit risk is considered to be limited because all its investment counter parties are major banks with high credit ratings and other investments are in Government and liquid corporate paper. The credit risk profile and quality of the group's investment counter parties is considered to be sound, well managed and commensurate with the risk appetite of the board.

**Trade receivables**

Trade receivables is exposed to credit risk due to the effect of macro-economic factors on the Group's customers.

The main identified macro-economic risks are those economic risks associated with the impact of COVID-19. The customers identified with a higher credit risk, are those customers with payments outstanding more than 120 days and the utilization of unused credit facilities.

Forward looking information considered was not determined to have a significant impact on the impairment allowance required to be recognised.

No significant changes in the inputs, assumptions and estimation techniques were noted.

# Notes to the Financial Statements

The maximum exposure to credit risk is presented in the table below:

| Group | | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | Credit loss allowance | Amortised cost / fair value | Gross carrying amount | Credit loss allowance | Amortised cost / fair value |
| Other financial assets | 10 | 633 462 | - | 633 462 | 1 380 019 | - | 1 380 019 |
| Trade and other receivables | 14 | 205 285 | (34 081) | 171 204 | 506 877 | (73 130) | 433 747 |
| Cash and cash equivalents | 16 | 605 643 | - | 605 643 | 1 649 308 | - | 1 649 308 |
| | | **1 444 390** | **(34 081)** | **1 410 309** | **3 536 204** | **(73 130)** | **3 463 074** |

| Company | | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | Credit loss allowance | Amortised cost / fair value | Gross carrying amount | Credit loss allowance | Amortised cost / fair value |
| Other financial assets | 10 | 633 462 | - | 633 462 | 1 380 019 | - | 1 380 019 |
| Trade and other receivables | 14 | 196 742 | (30 704) | 166 038 | 497 847 | (69 921) | 427 926 |
| Cash and cash equivalents | 16 | 580 174 | - | 580 174 | 1 624 947 | - | 1 624 947 |
| | | **1 410 378** | **(30 704)** | **1 379 674** | **3 502 813** | **(69 921)** | **3 432 892** |

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet both expected and unexpected current and future cash flow needs without negatively affecting either the daily operations or the financial condition of the Group.

The Group's exposure to liquidity risk arises mainly as a result of the following:

- Unexpected withdrawal of cash by Postbank clients;
- Daily working capital requirements; and
- The Group has signed contracts with third parties where its retail network is used as a collection agent for municipalities and other institutions. All contracts stipulate that funds collected for third parties are paid over to them after 24 hours.

Liquidity risk is managed in terms of the board approved treasury policy with appropriate dashboard liquidity risk profiles which are monitored by the Group's ALM function. The management of liquidity risk and particularly the Group's cash flows is strongly focused on the short to medium term to ensure that the Group ALM function and the Treasury are quick to respond to immediate cash flow requirements under different stress scenarios. On a quarterly basis, the Group ALM function performs behavioural and stress analyses to identify business as usual as well as potential stress cash flow requirements.

The Group manages its daily liquidity by having cash reserves on overnight call balances of at least R250 million and maintaining overdraft credit facilities with all the major banks. The Group ALM function monitors the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities of the banking division.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

# Notes to the Financial Statements

| Group - 2022 | | | | | |
|---|---|---|---|---|---|
| | | Within one year | Two to 5 years | After 5 years | Total |
| | | | | | |
| **Liabilities** | | | | | |
| Trade and other payables | 23 | 7 328 982 | - | - | 7 328 982 |
| Borrowings | 20 | - | 207 897 | - | 207 897 |
| Financial liabilities at amortised cost | 24 | 24 969 | - | - | 24 969 |
| Lease liabilities | 4 | 224 120 | 119 564 | 10 587 | 354 271 |
| Funds collected on behalf of third parties | 27 | 467 893 | - | - | 467 893 |
| | | **8 045 964** | **327 461** | **10 587** | **8 384 012** |

| Group - 2021 | | | | | |
|---|---|---|---|---|---|
| | | Within one year | Two to 5 years | After 5 years | Total |
| | | | | | |
| **Liabilities** | | | | | |
| Trade payables | 23 | 6 859 243 | - | - | 6 859 243 |
| Borrowings | 20 | - | 202 750 | - | 202 750 |
| Financial liabilities at amortised cost | 24 | 152 097 | - | - | 152 097 |
| Lease liabilities | 4 | 260 920 | 310 321 | 36 060 | 607 301 |
| Funds collected on behalf of third parties | 27 | 376 924 | - | - | 376 924 |
| | | **7 649 184** | **513 071** | **36 060** | **8 198 315** |

# Notes to the Financial Statements

| Company - 2022 | | | | | |
|---|---|---|---|---|---|
| | | Within one year | Two to 5 years | After 5 years | Total |
| | | | | | |
| **Liabilities** | | | | | |
| Trade payables | 23 | 7 275 911 | - | - | 7 275 911 |
| Borrowings | 20 | - | 207 897 | - | 207 897 |
| Financial liabilities at amortised cost | 24 | 24 969 | - | - | 24 969 |
| Lease liabilities | 4 | 213 481 | 119 564 | 10 587 | 343 632 |
| Funds collected on behalf of third parties | 27 | 467 893 | - | - | 467 893 |
| | | **7 982 254** | **327 461** | **10 587** | **8 320 302** |

| Company - 2021 | | | | | |
|---|---|---|---|---|---|
| | | Within one year | Two to 5 years | After 5 years | Total |
| | | | | | |
| **Liabilities** | | | | | |
| Trade payables | 23 | 6 808 998 | - | - | 6 808 998 |
| Borrowings | 20 | - | 202 750 | - | 202 750 |
| Financial liabilities at amortised cost | 24 | 152 097 | - | - | 152 097 |
| Lease liabilities | 4 | 249 138 | 310 321 | 36 059 | 595 518 |
| Funds collected on behalf of third parties | 27 | 376 924 | - | - | 376 924 |
| | | **7 587 157** | **513 071** | **36 059** | **8 136 287** |

**Foreign exchange risk**

Foreign exchange risk is the risk of the decline in the earnings or realisable value in the net financial asset position of the group arising from adverse movements in foreign exchange rates. The group is exposed to foreign exchange risk as a result of exposures that arise from rendering of international postal services and products as well as capital imports that are sourced offshore. The Group manages the foreign currency exposures relating to international postal services through the utilisation of Universal Postal Union (UPU) approved netting agreements between South Africa and debtor and creditor countries. In the event where the exposure after netting exceeds the limit specified below, a forward foreign exchange contract is taken to hedge the foreign exchange risk.

The Group has a policy that manages foreign exchange risk arising from capital imports sourced off-shore by utilisation of forward foreign exchange contracts as documented in the board approved treasury policy. The treasury policy stipulates the following in respect of utilisation of forward cover

- No forward cover is required where the currency exposure is less than R1 million in value and a 1% adverse exchange rate move does not result in a R 0,5 million currency loss.
- Forward cover is taken where the exposure in respect of a specific foreign currency commitment is more than R 1 million rand 1% adverse move in the exchange rate results in the group experiencing a loss of more than R 0,5 million. Actions taken in managing foreign exchange risk at the group ALCO meetings are reported to the Group Risk Committee of the board on a quarterly basis.

At year-end the Group was exposed to the following foreign currency denominated financial assets and financial liabilities for which no forward cover had been taken out.

# Notes to the Financial Statements

| Foreign currency exposure at the end of the reporting period | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| | | | | | |
| **Financial Assets** | | | | | |
| Euro | | 46 | 31 | 46 | 31 |
| Special Drawing Rights | | 7 069 | 7 530 | 7 069 | 7 530 |
| United States Dollar | | 1 081 | 828 | 1 081 | 828 |
| Botswana | | - | 1 | - | 1 |
| | | | | | |
| **Financial Liabilities** | | | | | |
| Euro | | 923 | 923 | 923 | 923 |
| New Zealand Dollar | | 191 | 191 | 191 | 191 |
| Special Drawing Rights | | 5 819 | 7 805 | 5 819 | 7 805 |
| Swiss Franc | | 3 | 3 | 3 | 3 |
| United States Dollar | | 2 | 12 | 2 | 12 |
| | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 20 | 158 050 | 271 015 | 158 050 | 158 050 |
| | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 23 | 156 441 | 256 915 | 156 441 | 156 441 |

At year-end, the Group's net income at risk from foreign exposure arose from the net asset currency position. A depreciation of 1% in the exchange rate would result in R0.1250 million foreign currency gain for the Group (2021: R0.1250 million currency gain).

**Interest rate risk**

Appropriate interest rate risk dashboard indicators are compiled to provide the ALCO members with the necessary interest rate risk information on a monthly basis, including a measure of compliance with approved limits and benchmarks.

**Cash flow interest rate risk**

The table below reflect net interest income sensitivity for a given 1% up and downward shift in interest rates at year-end.

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | 2022 | 2021 | 2022 | 2021 |
| | | | | |
| **Increase (Decrease)** | | | | |
| 1% increase in interest rates: | 9 829 | 8 824 | 9 817 | 8 798 |
| 1% decrease in interest rates: | (9 829) | (8 824) | (9 817) | (8 798) |

# Notes to the Financial Statements

## 45. Changes in liabilities arising from financing activities

**Reconciliation of liabilities arising from financing activities - Group - 2022**

| | Opening balance | New leases | Other non-cash movements | Total non-cash movements | Cash flows | Closing balance |
|---|---|---|---|---|---|---|
| Lease liabilities | 607 300 | 49 180 | 39 323 | 88 503 | (341 532) | 354 271 |
| Financial liabilities at amortised cost | 152 097 | - | - | - | (127 128) | 24 969 |
| | **759 397** | **49 180** | **39 323** | **88 503** | **(468 660)** | **379 240** |
| **Total liabilities from financing activities** | **759 397** | **49 180** | **39 323** | **88 503** | **(468 660)** | **379 240** |

**Reconciliation of liabilities arising from financing activities - Group - 2021**

| | Opening balance | New leases | Other non-cash movements | Total non-cash movements | Cash flows | Closing balance |
|---|---|---|---|---|---|---|
| Lease liabilities | 731 140 | 198 207 | (306) | 197 901 | (321 741) | 607 300 |
| Financial liabilities at amortised cost | 313 435 | - | - | - | (161 338) | 152 097 |
| | **1 044 575** | **198 207** | **(306)** | **197 901** | **(483 079)** | **759 397** |
| **Total liabilities from financing activities** | **1 044 575** | **198 207** | **(306)** | **197 901** | **(483 079)** | **759 397** |

**Reconciliation of liabilities arising from financing activities - Company - 2022**

| | Opening balance | New leases | Other non-cash movements | Total non-cash movements | Cash flows | Closing balance |
|---|---|---|---|---|---|---|
| Lease liabilities | 595 518 | 49 042 | 38 255 | 87 297 | (339 183) | 343 632 |
| Financial liabilities at amortised cost | 152 097 | - | - | - | (127 128) | 24 969 |
| | **747 615** | **49 042** | **38 255** | **87 297** | **(466 311)** | **368 601** |
| **Total liabilities from financing activities** | **747 615** | **49 042** | **38 255** | **87 297** | **(466 311)** | **368 601** |

**Reconciliation of liabilities arising from financing activities - Company - 2021**

| | Opening balance | New leases | Other non-cash movements | Total non-cash movements | Cash flows | Closing balance |
|---|---|---|---|---|---|---|
| Lease liabilities | 723 030 | 193 377 | 2 393 | 195 770 | (323 282) | 595 518 |
| Financial liabilities at amortised cost | 313 435 | - | - | - | (161 338) | 152 097 |
| | **1 036 465** | **193 377** | **2 393** | **195 770** | **(484 620)** | **747 615** |
| **Total liabilities from financing activities** | **1 036 465** | **193 377** | **2 393** | **195 770** | **(484 620)** | **747 615** |

# Notes to the Financial Statements

## 46. Fair value information

**Fair value hierachy**

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

**Level 1:** Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

**Level 2:** Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

**Level 3:** Unobservable inputs for the asset or liability.

| **Reconciliation of assets and liabilities measured at level 3** | | | | |
|---|---|---|---|---|
| **Group & Company - 2022** | **Note(s)** | **Opening balance** | **Gains (losses) recognised in other comprehensive income** | **Closing balance** |
| | | | | |
| **Assets** | | | | |
| **Heritage assets** | | | | |
| Works of art | 6 | 7 697 | - | 7 697 |
| Stamps | | 36 348 | - | 36 348 |
| Documents | | 259 | - | 259 |
| Philatelic stationery | | 510 | - | 510 |
| Other assets | | 1 433 | - | 1 433 |
| **Total heritage assets** | | **46 247** | **-** | **46 247** |
| | | | | |
| **Equity investments at fair value through other comprehensive income** | | | | |
| Unlisted shares | 10 | 133 639 | (3 653) | 129 986 |
| **Total** | | **179 886** | **(3 653)** | **176 233** |

# Notes to the Financial Statements

| Reconciliation of assets and liabilities measured at level 3 | | | | |
|---|---|---|---|---|
| **Group & Company - 2021** | **Note(s)** | **Opening balance** | **Gains (losses) recognised in other comprehensive income** | **Closing balance** |
| | | | | |
| **Assets** | | | | |
| **Heritage assets** | | | | |
| Works of art | 6 | 7 697 | - | 7 697 |
| Stamps | | 36 348 | - | 36 348 |
| Documents | | 259 | - | 259 |
| Philatelic stationery | | 510 | - | 510 |
| Other assets | | 1 433 | - | 1 433 |
| **Total heritage assets** | | **46 247** | **-** | **46 247** |
| | | | | |
| **Equity investments at fair value through other comprehensive income** | 10 | 129 103 | 4 536 | 133 639 |
| Unlisted shares | | | | |
| **Total** | | **175 350** | **4 536** | **179 886** |

Gains and losses recognised in profit or loss are included in Other income on the Statement of Comprehensive Income, except for gains and losses on financial assets and liabilities which have been included in fair value adjustments.

Gains and losses recognised in other comprehensive income are included in Gains and losses on property re-valuation.

# Notes to the Financial Statements

## 47. Commitments

**Authorised capital expenditure**

Capital expenditure authorised by the board of directors at reporting date, but not yet recognised in the annual financial statements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Already contracted for but not provided for:** | | | | |
| ▪ Property, plant and equipment | 38 368 | 47 348 | 38 368 | 47 303 |
| ▪ Intangible assets | 5 659 | 1 718 | 5 659 | 1 718 |
| **Total commitments** | **44 027** | **49 066** | **44 027** | **49 021** |

**Capital commitments treatment**

Capital commitments are disclosed in respect of contracted amounts for which delivery is outstanding at the accounting date, as well as the amount of contractual commitments for the acquisition of property, plant and equipment.

Capital Commitments represent goods or services that have been ordered, but no delivery has taken place at the reporting date.

These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of comprehensive income, but are however disclosed as part of the disclosure notes.

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

# Notes to the Financial Statements

## 48. Contingencies

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Contingent liabilities** | | | | |
| The following contingent liabilities were identified: | | | | |
| Civil and Service providers | 642 273 | 699 216 | 632 960 | 689 944 |
| Labour cases | 1 323 | 5 308 | 1 323 | 5 308 |
| **Total contingent liabilities** | **643 596** | **704 524** | **634 283** | **695 252** |

**Civil and Service providers**

Various proceedings were instituted against the SAPO Group during 2022 and the previous financial years. The amounts being claimed from the SAPO Group total approximately R644 million (2021: R705 million). The company's legal advisors believe that the company has reasonable defences against the claims and that the probability of loss will be minimal. Accordingly, no provision has been made in the annual financial statements with regard to these cases.

**Included above are the following individually material claims:**

1. An amount R494 million (2021: R494 million) being an alleged claim against South African Post Office for provisioning of infrastructure.
2. The Group also incurred various minor claims, the nature of these cases include amongst others the claims against SAPO relating to lost parcels, motor vehicle accident claims by third parties and damages suffered by service providers for late payment of invoices by the South African Post Office for services rendered or goods delivered.

South African Post Office is insured for motor vehicle accidents and thus these possible liabilities will be reimbursed by the insurance Company.

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Contingent assets** | | | | |
| **Civil claims** | **14 892** | **14 280** | **12 351** | **11 739** |

**Civil claims**

The contingent assets include various cases were SAPO is a plaintiff. The nature of the cases include amongst others the motor vehicle accident claims, employee's fraud etc. These matters remain contingent as the probabilities of successfully defending the cases remains uncertain.

# Notes to the Financial Statements

## 49. Going concern

The SA Post Office is a State-Owned Company with the mandate to achieve the priorities of Government in providing uni-versal access and affordable postal and financial services to all areas, including rural areas and small towns within the Republic of South Africa. The Post Office infrastructure and Post Office branch network exists to render these Universal Postal Services that all citizens are entitled to.

In determining the appropriate basis of preparation of the financial statement, management are required to consider whether the group will continue in operational in the foreseeable future.

**Material uncertainty**

The conditions noted below resulted in a material uncertainty that might cast significant doubt on SAPO's ability to continue as a going concern:

- The Group recognised recurring operating losses of R2 181 million and R2 352 million for the years ended 31 March 2022 and 31 March 2021 respectively, as disclosed in the statement of comprehensive income.
- As at the reporting date, the Group was in net liability financial position, with total liabilities exceeding total assets by R4 082 million (2021: R2 037 million) and current liabilities exceeding current assets by R(6 657) million (2021: R4 988 million). This is reflected adversely in key financial ratios including the Group's gearing ratio, which stood at 1.65% (2021: 1.25%) on the reporting date.
- Instances of late payments to commercial and statutory creditors have occurred, and the ability of the Group to comply with loan agreements is constrained.
- Pending legal or regulatory proceedings against the Company exist that, if successful, may result in claims the Company is unlikely to have the means to meet.
- The Group experienced negative operating cash flows in the current financial year. These circumstances are projected to persist in over the next twelve months.
- The Group has experienced loss of key management without replacement.

**Mitigating conditions: Shareholdes Intent**

The SA Post Office is a State-Owned Company with the mandate to achieve the priorities of Government in providing universal access and affordable postal and financial services to all areas within the Republic of South Africa, including rural localities and small towns. SAPO's ongoing mandate to distribute social grants on behalf of SASSA is indicative of government's view of SAPO's role as integral to fulfilling the delivery of such government services in the foreseeable future.

SAPO's current duties include the provision of significant government services (such as distribution of grants and the delivery of Digital Terrestrial Television set-top boxes) that have social impact. In catering for communities low-income and rural that are underserved by commercial operators, SAPO's activities also alleviate critical market failures that, given their nature, are largely beyond the reach of the private sector to address.

Management current understanding of SAPO's status is that there is no intention from the Department/Ministry (as shareholder representative) and the Board to liquidate SAPO or to cease its operations. The support of the shareholder for SAPO to continue operating is demonstrated by the fact that National Treasury has granted, in the 2021 financial year, MTEF Funding of R1,6 billion allocated to fund the public service mandate for the 2022/23 to 2024/25 financial years. This indicates that the shareholder intends for SAPO to continue to render its legislative mandates at least until 31st March 2025.

**Strategic Initiatives**

Embodied in the 2022/23 – 2024/25 Corporate Plan is the company's modernization strategy. The strategy defines the path SAPO is following to repurpose as an e-commerce and logistics company that is anchored by technology and innovation to turn around its fortunes. Implementation of this strategy is guided by SAPO's Corporate Implementation Plan for 2022/23 and is currently underway.

The strategy plots SAPO a path to profitability by the 2024 financial year, on the strength of revenue growth initiatives such as new service lines (e.g. hybrid mail and the recently launched motor vehicle license renewal e-service), and optimisation of existing operations (e.g. consolidation of the current courier and parcel business).

In addition, SAPO has also adopted a cost reduction strategy that is expected to yield an average of R1 100 million in each of the three upcoming years.

Based on the above, management is of the opinion that the going concern assumption adopted is appropriate under the circumstances.

# Notes to the Financial Statements

## 50. Fruitless and wasteful expenditure

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Opening balance | 537 125 | 394 291 | 518 949 | 376 205 |
| Add: Fruitless & wasteful expenditure - current year | 187 831 | 127 740 | 187 860 | 127 650 |
| Add: Fruitless & wasteful expenditure - prior year | 54 806 | 15 094 | 54 806 | 15 094 |
| Less: Fruitless & wasteful expenditure written-off in current year | (148 386) | - | (148 375) | - |
| Less: Fruitless & wasteful expenditure written-off - prior years | (499 823) | - | (487 913) | - |
| **Closing balance** | **131 553** | **537 125** | **125 327** | **518 949** |
| | | | | |
| **Analysis of awaiting condonation per age classification** | | | | |
| Current period | 187 831 | 127 740 | 187 860 | 127 650 |
| Prior years | (56 278) | 409 385 | (62 533) | 391 299 |
| **Total fruitless & wasteful expenditure awaiting write-off** | **131 553** | **537 125** | **125 327** | **518 949** |

A breakdown of Fruitless & wasteful expenditure for SAPO includes:

The amount of R132 million for the 2022 financial year relates to fruitless & wasteful awaiting write-off for SAPO Group.

An amount of R188 million was incurred as a result of SAPO's financial constraints during the financial year, that can be broken down as follows:

- Interest of R186 million due to late payments
- Legal fees of R2 million due to late payments

**Amounts written off**

The board of directors adopted the Financial Misconduct Committee's recommendation to write-off an amount of R648 million from the balance of fruitless & wasteful expenditure as it was determined that the root cause is SAPO Group's poor cash flow, no employee is responsible, the expenditure cannot be recovered, no matter was referred to the South African Police Services and there were also no breakdown in designed internal controls.

# Notes to the Financial Statements

## 51. Irregular expenditure

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| Opening balance under investigation | 1 827 462 | 1 448 153 | 1 776 119 | 1 380 867 |
| Add: Irregular expenditure - current year | 567 059 | 383 477 | 566 273 | 382 797 |
| Add: Irregular expenditure - prior year | 44 649 | 12 455 | 44 649 | 12 455 |
| Add/less: Adjustments | - | (16 623) | - | - |
| **Total irregular expenditure awaiting condonation** | **2 439 170** | **1 827 462** | **2 387 041** | **1 776 119** |
| | | | | |
| **Analysis of awaiting condonation per age classification** | | | | |
| Current period | 567 059 | 383 477 | 566 273 | 382 797 |
| Prior years | 1 872 111 | 1 443 985 | 1 820 768 | 1 393 322 |
| **Total irregular expenditure awaiting condonation** | **2 439 170** | **1 827 462** | **2 387 041** | **1 776 119** |

The South African Post Office (SOC) Limited started reporting on irregular expenditure in the 2011 financial year in accordance with the PFMA requirement and continued accordingly. The South African Post Office (SOC) Limited is addressing the root causes resulting in irregular expenditure and it should also be noted that a total solution will only be achieved in the medium term due to the interventions considered and currently being implemented.

SAPO has an established Financial Misconduct Committee (FMC) to review and to ensure that all Financial Misconducts within the SAPO Group of companies are managed in accordance with the requirements of the PFMA (Public Finance Management Act) and related regulations.

The process to identify any other irregular expenditure is continuing in order to have these investigated and condoned where relevant and also, where the expenditure was incurred or paid, to address institutional requirements.

The amount of R2 439 million (2021: R1 827 million) irregular expenditure incurred by the Group, is still under investigation and awaiting condonation. It can be broken down as follows:

- Irregular expenditure of R2 387 million (2021: R1 776 million) incurred by the South African Post Office (SOC) Ltd company, awaiting condonation;
- Irregular expenditure of R6.7 million (2021: R5.9 million) incurred by The Document Exchange (Pty) Ltd, awaiting condonation;
- Irregular expenditure of R45.6 million (2021: R45.6 million) incurred by The Courier and Freight Group (Pty) Ltd, awaiting condonation.

**SAPO Company**

The amount of R2 387 million (2021: R1 776 million) incurred by the company includes an amount of Rnil (2021: R195 million) that relates to the investigations of a particular contract which was one of the items in the SIU and Public Protectors report.

Irregular expenditure to the value of R44.6 million incurred in the 2021 financial year, was only identified in the current financial year.

# Notes to the Financial Statements

## 52. Material losses due to criminal conduct

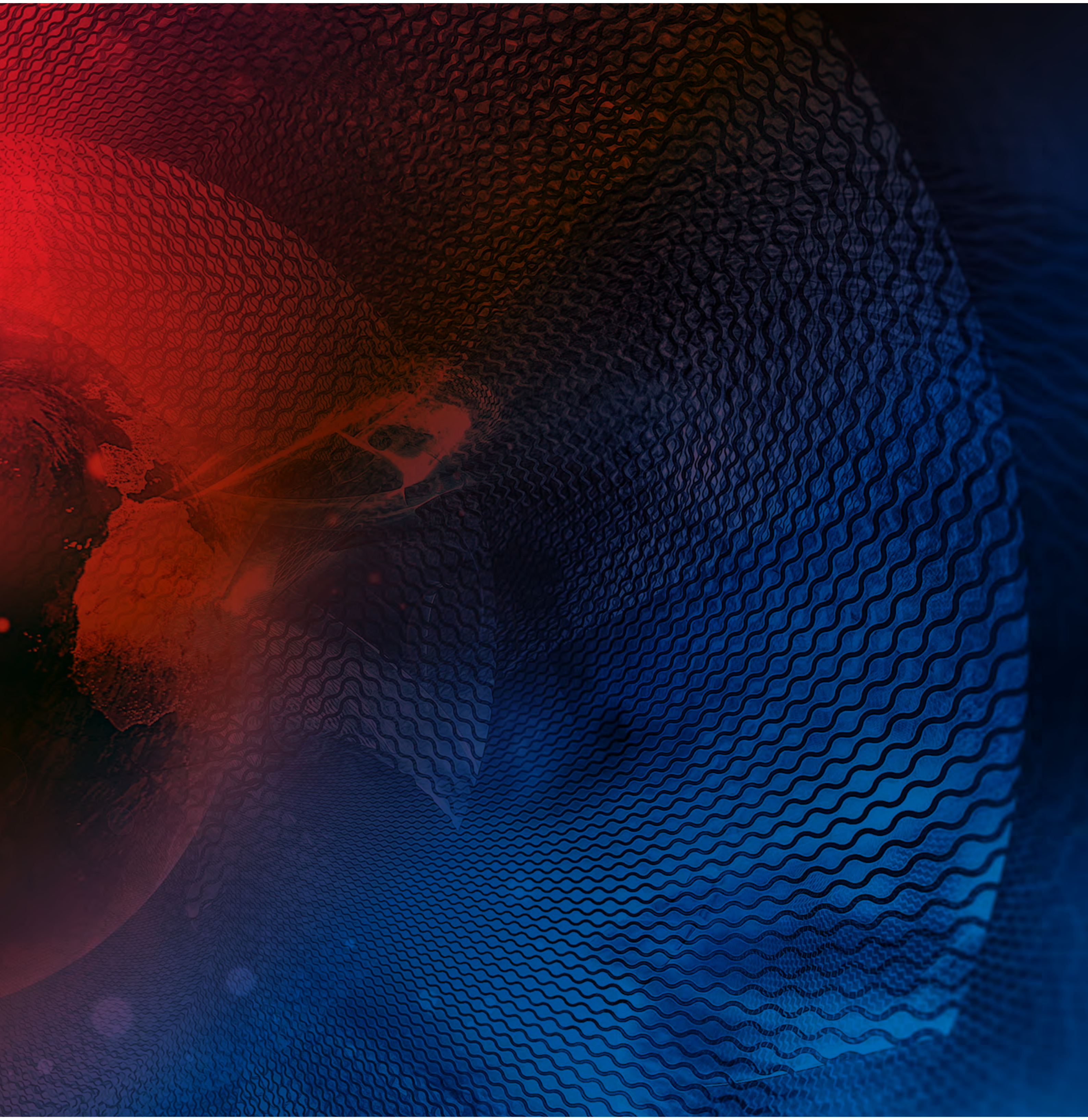
| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand thousand** | **2022** | **2021** | **2022** | **2021** |
| | | | | |
| **Other incidents (Fraud and Theft)** | **105 243** | **114 343** | **105 243** | **114 434** |

The South African Post Office (SOC) Limited considers losses of R32 million and above to be material. There has been no single incident in the financial year where the materiality threshold was breached.

## 53. Events after the reporting period

A non-adjusting event occurred after year-end. The Company issued instructions for withdrawals from the PRMA portfolio totaling R502 728 984. The intention of the withdrawal was to move the funds from Other financial assets to a Call account.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.



Post Office
South Africa