

# Employment equity report

## SA Post Office – Personnel strength 31 May 2007

	Personnel complement								Total
	White		Black		Coloured		Asian		
	Male	Female	Male	Female	Male	Female	Male	Female	
National EAP target (%)	6,78	5,34	39,12	35,77	5,38	4,70	1,79	1,12	
<b>Executive management</b>	8	2	15	7	1	0	1	0	<b>34</b>
Percentage (%)	23,53	5,88	44,12	20,59	2,94	0,00	2,94	0,00	
Under/over-representation (%)	(16,75)	(0,54)	(5,00)	15,18	2,44	4,70	(1,15)	1,12	
Number	(6)	(0)	(2)	5	1	2	(0)	0	
<b>Management (senior manager)</b>	22	8	38	22	10	1	9	2	<b>112</b>
Percentage (%)	19,64	7,14	33,93	19,64	8,93	0,89	8,04	1,79	
Under/over-representation (%)	(12,86)	(1,80)	5,19	16,13	(3,55)	3,81	(6,25)	(0,67)	
Number	(14)	(2)	6	18	(4)	4	(7)	(1)	
<b>Management (D-Band)</b>	58	35	118	52	22	5	29	5	<b>324</b>
Percentage (%)	17,90	10,80	36,42	16,05	6,79	1,54	8,95	1,54	
Under/over-representation (%)	(11,12)	(5,46)	2,70	19,72	(1,41)	3,16	(7,16)	(0,42)	
Number	(36)	(18)	9	64	(5)	10	(23)	(1)	
<b>C-Band</b>	440	485	1 158	861	282	170	156	62	<b>3 614</b>
Percentage (%)	12,17	13,42	32,04	23,82	7,80	4,70	4,32	1,72	
Under/over-representation (%)	(5,39)	(8,08)	7,08	11,95	(2,42)	(0,00)	(2,53)	(0,60)	
Number	(195)	(292)	256	432	(88)	(0)	(91)	(22)	
<b>B-Band</b>	666	1 393	3 476	1 684	1 080	323	472	78	<b>9 172</b>
Percentage (%)	7,26	15,19	37,90	18,36	11,77	3,52	5,15	0,85	
Under/over-representation (%)	(0,48)	(9,85)	1,22	17,41	(6,39)	1,18	(3,36)	0,27	
Number	(44)	(903)	112	1 597	(587)	108	(308)	25	
<b>A-Band</b>	6	8	484	542	75	51	2	0	<b>1 168</b>
Percentage (%)	0,51	0,68	41,44	46,40	6,42	4,37	0,17	0,00	
Under/over-representation (%)	6,27	4,66	(2,32)	(10,63)	(1,04)	0,33	1,62	1,12	
Number	73	54	(27)	(124)	(12)	4	19	13	
<b>Total number of employees</b>	<b>1 200</b>	<b>1 931</b>	<b>5 289</b>	<b>3 168</b>	<b>1 470</b>	<b>550</b>	<b>669</b>	<b>147</b>	<b>14 424</b>
Percentage (%)	8,32	13,39	36,67	21,96	10,19	3,81	4,64	1,02	
Under/over-representation (%)	(1,54)	(8,05)	2,45	13,81	(4,81)	0,89	(2,85)	0,10	
Number	(222)	(1 161)	354	1 991	(694)	128	(411)	15	

### Data source

The EAP targets as reflected in the 2001 Household Survey conducted by the CSS, was used as basis. The EAP targets used is the national targets as a company must reflect the national target in its head office irrespective of where it is situated.

# Independent auditors' report

## **To the members of the South African Post Office Limited**

### **Report on the financial statements**

We have audited the Group financial statements and the financial statements of South African Post Office Limited, which comprise the consolidated and separate balance sheets at 31 March 2007 and the consolidated and separate income statements, the consolidated and separate statements of changes in equity and the consolidated and separate cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 36 to 97.

### *Accounting authority's responsibility for the financial statements*

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these group financial statements and financial statements present fairly, in all material respects, the consolidated and separate financial position of South African Post Office Limited at 31 March 2007, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act.

### *Other matters*

The supplementary schedules set out on pages 96 to 98 do not form part of the group financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

## **Other reporting responsibilities**

### **Reporting on performance information**

We have audited the performance information as set out on pages 99 to 101.

### *Responsibilities of the accounting authority*

The accounting authority has additional responsibilities as required by section 55(2)(a) of the Public Finance Management Act to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

*Auditor's responsibility*

We conducted our engagement in accordance with section 13 of the Public Audit Act, 2004 read with General Notice 646 of 2007, issued in *Government Gazette No 29919* of 25 May 2007.

In terms of the foregoing my engagement included performing procedures of an assurance nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our findings reported below.

*Audit findings*

Based on our work performed we have not identified any material shortcomings in the processes, systems and procedures of the entity's reporting against predetermined performance objectives.



**KPMG Inc.**

Registered Auditor

**Per S van den Boogaard**

Chartered Accountant (SA)

Registered Auditor

Director

27 July 2007

KPMG Forum  
1226 Schoeman Street  
Hatfield  
Pretoria

# Directors' report

## Introduction

The directors present their fifteenth annual report, which is for the year ended on 31 March 2007. This report and the audited annual financial statements have been prepared in compliance with the requirements of the Public Finance Management Act No 1 of 1999, as amended, and the Companies Act No 61 of 1973, as amended.

## Nature of business

The business of the Company is to operate a postal service and Postbank as defined by the Post Office Act No 44 of 1958, as amended, and the Postal Services Act No 124 of 1998, and also to provide courier and agency services.

## Vision

To be recognised among the top 10 providers of postal and related services in the world.

## Mission

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

## General overview

The business of the Group is conducted through its operating divisions: Mail, Retail, Postbank and subsidiaries within logistics CFG and Docex. These divisions are responsible for all the trading activities of the Group, which are conducted through the mail distribution network as well as the infrastructure of service points available throughout the country. The main support divisions in the Group are Human Resources, Technology, Property Management, Finance, Security and Investigation Services, Sales and Customer Services, Corporate Services, Marketing, Supply Chain Management, Internal Audit and Strategic Planning. An overview of the Company's performance against its predetermined objectives is set out on pages 99 to 101.

## Financial results

The financial results of the Group are fully disclosed on pages 40 to 101. Revenue increased by 8,1% (2006: 6,4%). The Group realised an operating profit before post-retirement medical aid liability of R473,7 million (2006: R350,2 million) which is an improvement of R123,5 million (35%) compared to the previous year.

The Group earned a net profit of R351,2 million in the year under review (2006: R472,0 million). The main reason for the reduced net profit was the raising of the pension fund asset of R389,8 million in the prior year.

The shareholder has agreed to fund projects that are aimed at improving the profitability and long-term results of the Company so that it can meet its universal service obligation. The projects are approved by the shareholder before funding is received. Strict reporting guidelines have been implemented to ensure that the funding is only used for these projects. The Company received project specific funding of R351,4 million (2006: R300 million) for the year ended 31 March 2007. Total funding to date amounts to R2,4 billion, of which R2,0 billion has been spent. Project plans for most of the remaining funds have been approved and specific projects have commenced, or will commence shortly.

The shareholder has also committed itself to providing the Company with R363,8 million in funding for the 2008 financial year, R371,6 million for the 2009 financial year and R383,1 million for the 2010 financial year to be used for future projects to be agreed upon with the shareholder. It is expected that the successful implementation of these projects will continue to improve the Company's performance and financial position and accelerate the provision of the necessary infrastructure to fulfil its universal service obligations.

During 2005 the shareholder provided the Company with a capital injection of R750 million to facilitate the corporatisation of Postbank. The funds have been disclosed under capital and reserves as "funds received from the shareholder" until such time as the necessary changes have been made to the Post Office Act to permit the issue of shares by the Company.

## Directors

The composition of the Board of Directors is as follows:

### Chairperson

Ms PRE Tsukudu (Retired 31 March 2007)  
Ms V Mahlati<sup>#</sup> (Appointed 1 April 2007)

### Executive

Mr KI Mampeule (Group Chief Executive Officer) (Retired 21 May 2007)  
Ms MM Lefoka (Chief Operating Officer)  
Mr NJD Buick (Chief Financial Officer)

### Non-executive

Mr VA Christian (Retired 2 April 2007)  
Prof MJ Crous (Retired 20 November 2006)  
Mr P Dzingwe (Retired 20 November 2006)  
Mr AJ Hendricks<sup>+#</sup>  
Ms J Lange (Retired 20 November 2006)  
Mr SMA Malebo<sup>^</sup>  
Adv V Mhlongo<sup>^@</sup>  
Ms PE Pokane<sup>\*§</sup>  
Mr BMH Tsita (Retired 31 December 2006)  
Mr P Canca<sup>\*^</sup> (Appointed 1 April 2007)  
Ms N Msimang<sup>\*#§</sup> (Appointed 1 April 2007)  
Ms T Mokgosi-Mwantebe<sup>+\*</sup> (Appointed 1 April 2007)  
Mr S Mokoetle<sup>+^</sup> (Appointed 1 April 2007)

+ Members of the Human Resources and Transformation Committee (Chairperson Mr AJ Hendricks)

\* Members of the Audit Committee (Acting Chairperson Ms N Msimang)

# Members of the Remuneration and Performance Management Committee (Chairperson Ms VF Mahlati)

§ Members of the Postbank Committee (Chairperson Ms N Msimang)

^ Members of the Risk Management Committee (Chairperson Mr P Canca)

@ Members of the Stamp Advisory Committee

Note: Ms V Mahlati was appointed as a Board member on 1 March 2006 and as Chairperson on 1 April 2007.

The directors do not hold any shares in the Company or any of its subsidiaries, neither in a beneficial nor in a non-beneficial capacity.

Emoluments paid to each director and executive reporting directly to the Chief Executive Officer during the year are disclosed under note 38.

## Directors' report (continued)

Details of the directors' service contracts are as follows:

Name	Position	Period	
Ms VF Mahlali	Chairperson	1 April 2007	28 February 2009
Mr KI Mampeule	Group Chief Executive Officer	20 June 2005	21 May 2007
Ms MM Lefoka	Chief Operating Officer	1 August 2004	31 July 2009
Mr NJD Buick	Chief Financial Officer	15 November 2006	16 November 2007
Mr VA Christian	Non-executive	1 March 2006	2 April 2007
Mr P Canca	Non-executive	1 April 2007	31 March 2010
Ms N Msimang	Non-executive	1 April 2007	31 March 2010
Mr AJ Hendricks	Non-executive	1 March 2006	28 February 2009
Ms T Mokgosi-Mwantebe	Non-executive	1 April 2007	31 March 2010
Mr SMA Malebo	Non-executive	1 March 2006	28 February 2009
Adv V Mhlongo	Non-executive	1 March 2006	28 February 2009
Ms PE Pokane	Non-executive	1 March 2006	28 February 2009
Mr S Mokoetle	Non-executive	1 April 2007	31 March 2010

\* Ms MM Lefoka has been acting as Group Chief Executive Officer since 20 November 2006.

### Special resolutions

No special resolutions were taken in the year under review.

### Share capital

The authorised share capital of the Company is R1 billion, divided into one billion ordinary par value shares of R1 each, of which 200 939 821 have been issued to the shareholder.

### Company Secretary

The Acting Company Secretary is Mr MM Mphelo.

### Business address

Post Office Head Office  
497 Schubart Street  
Pretoria Central  
0002

### Postal address

PO Box 10000  
Pretoria  
0001

## Subsidiaries

Details of the Company's subsidiaries are set out in schedule 1 on pages 96 to 97 The holding company's interest in income earned and losses after tax incurred by subsidiaries for the year is as follows:

	<b>2007 Profit/(Loss) R'000</b>	2006 Profit/(Loss) R'000
Sapos Properties (Pty) Limited	–	–
Truebill (Pty) Limited	–	–
The Document Exchange (Pty) Limited	<b>6 013</b>	1 786
Pensecure (Pty) Limited	<b>4</b>	–
The Courier and Freight Group (Pty) Limited	<b>(7 461)</b>	(61 493)
Sapos Properties (PE) (Pty) Limited	<b>(4)</b>	107
Sapos Properties (Rossburgh) (Pty) Limited	<b>(18)</b>	25
Sapos Properties (Erf 145018 Cape Town) (Pty) Limited	<b>18</b>	269
Sapos Properties (East Rand) (Pty) Limited	<b>(75)</b>	1 085
Sapos Properties (Bloemfontein) (Pty) Limited	<b>(129)</b>	36
Centriq Insurance Innovation	<b>8 475</b>	1 585

## Events subsequent to balance sheet date

The directors are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the annual financial statements, that will have a significant effect on the operations of the Group, the results of the operations or the financial position of the Group.

## Domicile

The Company is a public company registered in the Republic of South Africa and its registered address is:

## Post Office Head Office

497 Schubart Street  
Pretoria Central  
0002

# Balance sheets

at 31 March 2007

	Notes	Group		Company	
		2007 R'000	2006 Restated R'000	2007 R'000	2006 Restated R'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
		<b>1 599 723</b>	1 685 310	<b>1 597 521</b>	1 666 462
Property, plant and equipment	2	<b>1 055 302</b>	1 083 494	<b>1 012 804</b>	1 024 031
Investment properties	3	<b>16 753</b>	8 810	<b>16 753</b>	8 810
Intangible assets	4	<b>75 863</b>	60 806	<b>73 224</b>	56 602
Available for sale financial assets	5	<b>13 459</b>	48 597	<b>13 459</b>	48 597
Investments in subsidiaries	6	<b>–</b>	–	<b>45 571</b>	44 764
Pension fund asset	7	<b>213 829</b>	353 836	<b>213 829</b>	353 836
Deferred taxation	8	<b>224 517</b>	129 767	<b>221 881</b>	129 822
<b>Current assets</b>					
		<b>5 267 696</b>	3 981 265	<b>5 174 901</b>	3 761 305
Inventories	9	<b>54 366</b>	72 120	<b>54 184</b>	72 120
Trade and other receivables	10	<b>544 995</b>	560 502	<b>573 059</b>	423 733
Available for sale financial assets	5	<b>87 925</b>	59 167	<b>32 952</b>	–
Cash and cash equivalents	11	<b>4 580 410</b>	3 289 476	<b>4 514 706</b>	3 265 452
<b>TOTAL ASSETS</b>		<b>6 867 419</b>	5 666 575	<b>6 772 422</b>	5 427 767
<b>EQUITY AND LIABILITIES</b>					
<b>Equity and reserves</b>					
		<b>1 233 119</b>	873 943	<b>1 218 319</b>	863 157
Share capital	12	<b>200 940</b>	200 940	<b>200 940</b>	200 940
Foreign currency translation reserve	13	<b>–</b>	(10 123)	<b>–</b>	–
Available for sale reserve	14	<b>17 211</b>	19 334	<b>17 211</b>	19 334
Retained earnings		<b>264 968</b>	(86 208)	<b>250 168</b>	(107 117)
		<b>483 119</b>	123 943	<b>468 319</b>	113 157
Funds received from shareholder	15	<b>750 000</b>	750 000	<b>750 000</b>	750 000
<b>Non-current liabilities</b>					
		<b>724 284</b>	739 897	<b>697 086</b>	714 358
Interest-bearing borrowings	16	<b>1 610</b>	22	<b>1 610</b>	22
Deferred lease liability	17	<b>61 294</b>	56 749	<b>44 901</b>	43 500
Employment benefit obligations	18	<b>653 738</b>	679 989	<b>643 616</b>	668 306
Provisions	19	<b>7 642</b>	3 137	<b>6 959</b>	2 530
<b>Current liabilities</b>					
		<b>4 910 016</b>	4 052 735	<b>4 857 017</b>	3 850 252
Trade and other payables	20	<b>1 405 158</b>	1 339 177	<b>1 355 249</b>	1 142 162
Funds collected on behalf of third parties	21	<b>409 572</b>	98 494	<b>409 572</b>	98 494
Deposits from the public	22	<b>2 603 391</b>	2 296 782	<b>2 603 391</b>	2 296 782
Employment benefit obligations	18	<b>75 720</b>	70 720	<b>75 720</b>	70 720
Interest-bearing borrowings	16	<b>2 773</b>	4 001	<b>2 773</b>	2 722
Taxation	23	<b>193 965</b>	112 392	<b>190 875</b>	108 203
Subsidy received in advance	38.2	<b>219 437</b>	131 169	<b>219 437</b>	131 169
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6 867 419</b>	5 666 575	<b>6 772 422</b>	5 427 767

# Income statements

for the year ended 31 March 2007

	Notes	Group		Company	
		2007 R'000	2006 Restated R'000	2007 R'000	2006 Restated R'000
<b>Continuing operations</b>					
Revenue	24	<b>4 885 477</b>	4 519 487	<b>4 478 310</b>	4 070 256
Add: Other operating income	25	<b>167 479</b>	134 689	<b>122 679</b>	114 048
		<b>5 052 956</b>	4 654 176	<b>4 600 989</b>	4 184 304
Less: Consumables and inventory utilised		<b>(286 963)</b>	(254 090)	<b>(286 963)</b>	(254 090)
		<b>4 765 993</b>	4 400 086	<b>4 314 026</b>	3 930 214
Less: Employee benefit expenditure		<b>(2 518 702)</b>	(2 368 167)	<b>(2 393 264)</b>	(2 209 033)
Transport expenditure		<b>(500 932)</b>	(548 759)	<b>(346 517)</b>	(346 396)
Property operating leases		<b>(161 746)</b>	(144 529)	<b>(145 334)</b>	(128 548)
Vehicle operating leases		<b>(54 655)</b>	(52 695)	<b>(52 757)</b>	(51 508)
Other expenditure	26	<b>(1 056 268)</b>	(935 757)	<b>(897 173)</b>	(881 325)
<b>Operating profit before employment benefits</b>		<b>473 690</b>	350 179	<b>478 981</b>	313 404
Less: Post-retirement medical benefits	18	<b>(42 935)</b>	(52 035)	<b>(45 000)</b>	(52 000)
Plus: Pension fund asset recognised		–	389 855	–	389 855
<b>Operating profit</b>		<b>430 755</b>	687 999	<b>433 981</b>	651 259
Finance income	27	<b>169 999</b>	102 355	<b>162 352</b>	97 352
Finance cost	28	<b>(94 188)</b>	(75 494)	<b>(92 018)</b>	(71 512)
<b>Profit before taxation</b>		<b>506 566</b>	714 860	<b>504 315</b>	677 099
Taxation expense	29	<b>(155 549)</b>	(236 360)	<b>(147 030)</b>	(230 690)
<b>Profit for the year – continuing operations</b>		<b>351 017</b>	478 500	<b>357 285</b>	446 409
<b>Discontinuing operations</b>					
Profit/(loss) from discontinued operations	30	<b>159</b>	(6 490)	–	–
<b>Profit for the year</b>		<b>351 176</b>	472 010	<b>357 285</b>	446 409

# Statements of changes in equity

for the year ended 31 March 2007

	Share capital R'000	Foreign currency translation reserve R'000	Available for sale reserve R'000	Funds received from shareholder R'000	Retained earnings R'000	Total equity and reserves R'000
<b>Group</b>						
Balance at 31 March 2005	200 940	(10 123)	43 319	750 000	(558 218)	425 918
Net loss on available for sale investments	–	–	(23 985)	–	–	(23 985)
Profit for the year (restated)	–	–	–	–	472 010	472 010
Balance at 31 March 2006	200 940	(10 123)	19 334	750 000	(86 208)	873 943
Net loss on available for sale investments	–	–	(2 123)	–	–	(2 123)
Foreign currency translation reserve derecognised	–	10 123	–	–	–	10 123
Profit for the year	–	–	–	–	351 176	351 176
<b>Balance at 31 March 2007</b>	<b>200 940</b>	<b>–</b>	<b>17 211</b>	<b>750 000</b>	<b>264 968</b>	<b>1 233 119</b>
<b>Company</b>						
Balance at 31 March 2005	200 940	–	43 319	750 000	(553 526)	440 733
Net loss on available for sale investments	–	–	(23 985)	–	–	(23 985)
Profit for the year (restated)	–	–	–	–	446 409	446 409
Balance at 31 March 2006	200 940	–	19 334	750 000	(107 117)	863 157
Net loss on available for sale investments	–	–	(2 123)	–	–	(2 123)
Profit for the year	–	–	–	–	357 285	357 285
<b>Balance at 31 March 2007</b>	<b>200 940</b>	<b>–</b>	<b>17 211</b>	<b>750 000</b>	<b>250 168</b>	<b>1 218 319</b>

# Cash flow statements

for the year ended 31 March 2007

	Notes	Group		Company	
		2007 R'000	2006 Restated R'000	2007 R'000	2006 Restated R'000
<b>Cash inflow from operating activities</b>		<b>792 178</b>	248 830	<b>757 151</b>	269 569
Cash received from customers		<b>5 072 077</b>	4 699 702	<b>4 463 838</b>	4 201 276
Cash paid to suppliers and employees		<b>(3 946 093)</b>	(4 229 765)	<b>(3 379 713)</b>	(3 713 734)
Cash generated from operations	31.1	<b>1 125 984</b>	469 937	<b>1 084 125</b>	487 542
Expenditure offset against project specific subsidy	38.2	<b>(263 171)</b>	(267 738)	<b>(263 171)</b>	(267 738)
Finance income (excluding discounting of trade and other receivables)		<b>166 385</b>	85 113	<b>158 738</b>	80 852
Finance expenses (excluding discounting of trade and other payables and provisions)		<b>(80 763)</b>	(57 897)	<b>(78 593)</b>	(55 087)
Dividends received	25	<b>15 052</b>	24 000	<b>15 052</b>	24 000
Normal taxation paid	23	<b>(171 309)</b>	(4 585)	<b>(159 000)</b>	–
<b>Net increase in operating funds</b>		<b>306 609</b>	272 326	<b>306 609</b>	272 326
Net increase in deposits from public	22	<b>306 609</b>	272 326	<b>306 609</b>	272 326
<b>Cash outflow from investing activities</b>		<b>(159 652)</b>	(126 493)	<b>(167 584)</b>	(136 797)
Proceeds on disposal of property, plant and equipment	31.2	<b>4 337</b>	4 701	<b>49</b>	121
Replacement and renewal of property, plant and equipment		<b>(115 871)</b>	(97 978)	<b>(113 811)</b>	(94 768)
Reclassification of investment properties		<b>(8 342)</b>	–	<b>(8 342)</b>	–
Replacement and renewal of intangible assets		<b>(44 033)</b>	(31 906)	<b>(43 993)</b>	(30 846)
Net acquisition of non-current investments		<b>–</b>	–	<b>(1 550)</b>	(12 638)
Disposal/(acquisition) of bonds		<b>4 257</b>	(1 310)	<b>63</b>	1 334
<b>Cash inflow from financing activities</b>		<b>351 799</b>	292 275	<b>353 078</b>	295 380
Increase/(decrease) in interest-bearing borrowings		<b>360</b>	(7 725)	<b>1 639</b>	(4 620)
Subsidy received		<b>351 439</b>	300 000	<b>351 439</b>	300 000
<b>Increase in cash and cash equivalents</b>		<b>1 290 934</b>	686 938	<b>1 249 254</b>	700 478
Cash and cash equivalents at beginning of year		<b>3 289 476</b>	2 602 538	<b>3 265 452</b>	2 564 974
Cash and cash equivalents at end of year	11	<b>4 580 410</b>	3 289 476	<b>4 514 706</b>	3 265 452

# Notes to the annual financial statements

for the year ended 31 March 2007

## 1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. The accounting policies have been applied consistently to all periods presented in the annual financial statements.

### 1.1 Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) including International Financial Reporting Interpretation Committee (IFRIC) interpretations.

The consolidated financial statements are prepared under the historical cost basis except that the following assets and liabilities are carried at their fair value: available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) measured at fair value through profit and loss.

The preparation of annual financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant note.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

### 1.2 Basis of consolidation

#### *Subsidiaries*

Subsidiaries are those entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and consolidation ceases from the date of disposal or the date on which control ceases. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group entities have been eliminated. Accounting policies have been applied consistently by Group entities.

### 1.3 Foreign currencies

#### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The annual financial statements are presented in South African Rand, which is the functional currency of the parent company.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date (spot rate). At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. Foreign exchange gains and losses are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

## 1. ACCOUNTING POLICIES (continued)

### 1.3 Foreign currencies (continued)

#### *Group entities*

The results and financial position of all Group entities (whose functional currency is not the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the Group presentation currency as follows:

- assets and liabilities are translated at the rates of exchange ruling at the balance sheet date;
- income and expenses are translated at exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of equity (foreign currency translation reserve).

The results and financial position of all Group entities (whose functional currency is the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) all amounts (ie assets, liabilities, equity items, income and expenses, including comparatives) are translated at the rates of exchange ruling at the balance sheet date;
- (ii) comparative amounts are not restated if they have been translated into the Group's presentation currency in previous financial years.

On consolidation, exchange differences arising from the translation of borrowings that are deemed to be part of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity in the Group financial statements and translated at the exchange rate at balance sheet date.

### 1.4 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition of subsidiaries, associate and joint ventures.

Goodwill is initially recognised at cost and is subsequently carried at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. Impairment losses on goodwill are not reversed.

### 1.5 Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes all costs that are incurred in order to bring the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials, direct labour, and the initial estimate, where applicable, of the costs of dismantling and removing the item and restoring the site on which it is located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and are depreciated separately.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from when it is available to operate as intended by management. The estimated useful lives are as follows:

	Years
Buildings	30 – 100
Leasehold improvements	3 – 10
Machinery and equipment	3 – 20
Data-processing equipment	3 – 8
Motor vehicles	3 – 20
Furniture and fittings	3 – 12

Land is not depreciated as it is deemed to have an indefinite life.

Residual values and useful lives are reassessed annually.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

## 1. ACCOUNTING POLICIES (continued)

### 1.5 Property, plant and equipment (continued)

Subsequent expenditure relating to an item or part of an item property, plant and equipment is capitalised when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised in accordance with the principles set out below. Costs of repairs and maintenance are recognised as an expense in the year in which it is incurred.

The carrying amount of an item or part of an item of property, plant and equipment shall be derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition of items of property, plant and equipment are included in the income statement. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

### 1.6 Investment properties

Investment properties are properties held for the purpose of earning rental income or for capital appreciation or both, and are initially recorded at cost or deemed cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, and are accounted for in line with the policy on property, plant and equipment (refer accounting policy note 1.5).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of investment property from when it is available to operate as intended by management. The estimated useful lives are as follows:

	Years
Investment properties	30 – 100

### 1.7 Leases

#### *The Group is the lessee*

Leases of property, plant and equipment, where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset on the same basis as owned assets, or where shorter, the term of the relevant lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Where leases contain both land and building components, each component is considered separately for classification purposes. At inception of the lease, the minimum lease payments are allocated to the components in proportion to the relative fair values of the leasehold interests in the land and buildings element of the lease. If this can not be measured reliably, then the lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Rental expense under operating leases is recognised in the income statement on a straight-line basis over the period of the lease.

Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### *The Group is the lessor*

Rental income from operating leases is recognised in the income statement on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.

### 1.8 Intangible assets (excluding goodwill)

Intangible assets (excluding goodwill) are initially measured at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

## 1. ACCOUNTING POLICIES (continued)

### 1.8 Intangible assets (excluding goodwill) (continued)

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The estimated useful lives are as follows:

	Years
Patents and trademarks	10
Licences	1 – 3
Software – mainframe	2 – 8
Software – personal computers	2 – 8

Amortisation periods are assessed annually.

Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Such intangible assets are not amortised.

### 1.9 Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial instruments that are classified as measured at fair value through profit or loss are initially measured at fair value. All other financial instruments are initially measured at fair value plus any directly attributable transaction costs. "Regular way" purchases and sales are accounted for at trade date, the date that the Group commits itself to purchase or sale of the asset. Subsequent to initial recognition financial instruments are measured as set out below.

#### *Trade and other receivables*

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method less impairment losses. At each balance sheet date, the Group assesses whether there is any objective evidence that trade and other receivables are impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Impairment losses for trade and other receivables are raised in the income statement, when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms agreed upon. The amount of the impairment is the difference between the assets carrying value and the present value of estimated future cash flows, discounted at the effective interest rate.

#### *Investments*

For the purpose of measuring investments subsequent to initial recognition, the Group classifies them as either held to maturity, available for sale or those that are measured at fair value through profit or loss.

- Investments classified as held to maturity represent those that the Group has the express intention and ability to hold to maturity and are measured at amortised cost using the effective interest rate method less impairment losses.
- Investments classified as available for sale are measured at subsequent reporting dates at fair value. Gains and losses on available for sale investments are recognised directly in equity with the associated deferred taxation, until the investment is disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.
- Investments that are designated at fair value through profit or loss are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value of investments held for trading purposes or those designated as measured at fair value through profit or loss are recognised in the income statement in the period in which they arise.

Where applicable fair value is calculated by referring to stock exchange quoted selling prices at the close of business on the balance sheet date. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

#### *Interest-bearing borrowings*

Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the cost and the redemption value is recognised in the income statement over the period of the borrowings as interest.

All borrowing costs are recognised in the income statement in the year in which they arise.

## 1. ACCOUNTING POLICIES (continued)

# Notes to the annual financial statements (continued)

## for the year ended 31 March 2007

### 1.9 Financial instruments (continued)

#### *Deposits from the public*

Deposits from the public represent customers or the public's funds held by Postbank. These are disclosed as current liabilities unless an investment period of longer than a year has been agreed. If a deposit from the public is classified as a dormant account, the deposit account is still charged a service fee and earns interest until the account balance is nil. The net liability is raised as a finance liability.

#### *Funds collected on behalf of third parties*

Funds collected on behalf of third parties are subsequently carried at fair value. Funds collected on behalf of third parties are payable on demand and thus are classified as current liabilities.

#### *Trade and other payables*

Trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

#### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to when due in accordance with original or modified terms of a debt instrument.

Financial guarantee contracts are deemed to be insurance contracts.

#### *Foreign currency forward contracts*

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to economically hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The derivatives do not qualify for hedge accounting and are initially recognised at fair value on the contract date. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The resulting gain or loss is recognised immediately in profit or loss.

#### *Equity instruments*

Equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

#### *Financial assets*

##### *Offset*

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

##### *Derecognition*

##### *Financial assets*

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognised where:

- the contractual rights to receive cash flows from the asset have expired,
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset but has either retained substantially all the risks and rewards of the asset or control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying value of the asset and the maximum amount of consideration that the Group could be required to repay.

## 1. ACCOUNTING POLICIES (continued)

### 1.9 Financial instruments (continued)

#### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### *Impairment of financial assets*

The Group assesses at each balance sheet date if there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement for equity investments classified as available for sale are recognised directly to equity. Impairment losses recognised in profit or loss for debt instruments classified as available for sale are subsequently reversed through the income statement if the increase in fair value can objectively be related to an event occurring after recognition of the impairment loss.

Impairment testing of trade receivables is described under "Trade and other receivable" in this note.

### 1.10 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted-average method. The cost of inventory includes all expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest paid. Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated selling expenses.

### 1.11 Impairment of non-financial assets

The carrying values of the Group's assets other than inventory and deferred taxation assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount if related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. Impairment losses in respect of goodwill are not reversed.

# Notes to the annual financial statements (continued)

## for the year ended 31 March 2007

### 1. ACCOUNTING POLICIES (continued)

#### 1.12 Employee benefits

##### *Pension obligations*

Group companies operate various pension schemes. The Group has both defined benefit and defined contribution plans.

##### *Defined benefit plans*

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

The liability recognised in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. An actuarial valuation is performed every three years using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have terms of maturity approximating the terms of the related liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of:

- 10% of the value of plan assets; or
- 10% of the defined benefit obligations are recognised in income over the employees' expected average remaining working lives.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are recognised immediately.

##### *Defined contribution plans*

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

##### *Other post-employment benefit obligations*

##### *Healthcare benefits*

The entitlement to post-retirement healthcare benefits is based on the employee remaining in service up to retirement age for employees retiring up to June 2005. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the income statement over the expected average remaining working lives of the relevant employees to the extent that they exceed the 10% corridor. These obligations are valued at least every three years by independent qualified actuaries.

The expected cost of these benefits for past service is recognised immediately.

##### *Leave accrual*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to balance sheet date. The Post Office leave liability is accounted for as a long-term benefit as a significant portion that has vested will most probably not be utilised or encashed within twelve months of year end. The annual leave obligations are valued at least every three years by independent qualified actuaries. Any unrecognised actuarial gains/losses and past service costs are recognised immediately. For other Group companies the leave liability is accounted for as a short-term benefit and is not actuarially valued.

##### *Other long-term benefits*

The Group has other long-term benefits that accrue to employees and certain pensioners. These consist of telephone and long service awards. The Group's net obligation in this regard is the amount of future benefit that employees or pensioners have earned in return for their service in the prior periods. The obligation is valued at least every three years by independent qualified actuaries. Any unrecognised actuarial gains/losses and past service costs are recognised immediately.

## 1. ACCOUNTING POLICIES (continued)

### 1.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

#### *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

#### *Decommissioning*

A provision for decommissioning leasehold improvements in respect of leased property is recognised when the lease contract is entered into.

### 1.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities.

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement when the service has been delivered.

Revenue earned from the provision of services over a fixed period, such as post box rental, are earned in the income statement on a straight-line basis over the period of the service.

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity. When a receivable is recognised, the Group reduces the carrying amount to its present value for significant receivables or receivables with extended payment terms. The present value represents the estimated future cash flows discounted at original effective interest rates. The unwinding of the discount is recognised as interest income over the period.

Dividend income is recognised when the shareholder's right to receive payment is established.

### 1.15 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxation comprises tax payable calculated on the basis of the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments of the tax payable for the previous year.

Deferred taxation is provided, using the balance sheet method, providing for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

## 1. ACCOUNTING POLICIES (continued)

### 1.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all covenants. These are included in subsidy received in advance until they are utilised.

Government grants are recognised as income over the periods necessary to match them to the related costs on a systematic basis. Government grants relating to assets are recognised as a reduction of the cost of the asset acquired.

Government grants received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognised as income in the period in which they become receivable.

### 1.17 Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the assets (or components of a disposal group) are measured in accordance with the groups accounting policies.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' previous carrying value and fair value less costs to sell.

The Group adopted IFRS 5 from 1 April 2005 prospectively in accordance with the standard's provisions. The non-current assets (or disposal groups) held for sale were previously neither classified nor presented as current assets or liabilities. Such non-current assets (or disposal groups) were not previously measured differently from other assets and liabilities.

The application of IFRS 5 does not impact on the prior-year financial statements other than a change in the presentation of the results and cash flows of discontinued operations.

### 1.18 Insurance contracts

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

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability which is included under other payables.

Claims and loss adjustment expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated based on past experience.

	2007			2006		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>						
Group						
<i>Owned</i>	<b>2 033 990</b>	<b>(982 986)</b>	<b>1 051 004</b>	1 960 878	(880 188)	1 080 690
Freehold land and buildings	754 762	(45 091)	709 671	722 097	(28 275)	693 822
Leasehold improvements	234 597	(142 067)	92 530	218 593	(118 451)	100 142
Machinery and equipment	458 328	(347 409)	110 919	450 704	(334 497)	116 207
Data-processing equipment	521 467	(406 118)	115 349	505 664	(365 454)	140 210
Motor vehicles	19 549	(12 021)	7 528	20 774	(7 113)	13 661
Furniture and fittings	45 287	(30 280)	15 007	43 046	(26 398)	16 648
<i>Leased</i>	<b>23 590</b>	<b>(19 292)</b>	<b>4 298</b>	17 991	(15 187)	2 804
Data processing equipment	18 827	(14 529)	4 298	13 228	(10 862)	2 366
Motor vehicles	4 763	(4 763)	–	4 763	(4 325)	438
	<b>2 057 580</b>	<b>(1 002 278)</b>	<b>1 055 302</b>	1 978 869	(895 375)	1 083 494

The movement in the carrying value of property, plant and equipment can be reconciled as follows:

	Opening carrying value R'000	Additions/ (transfers) R'000	Disposals R'000	Depreciation R'000	Closing carrying value R'000
Group					
2007					
<i>Owned</i>	<b>1 080 690</b>	<b>110 272</b>	<b>(2 111)</b>	<b>(137 847)</b>	<b>1 051 004</b>
Freehold land and buildings	693 822	33 764	(4)	(17 911)	709 671
Leasehold improvements	100 142	20 557	(51)	(28 118)	92 530
Machinery and equipment	116 207	25 843	(753)	(30 378)	110 919
Data-processing equipment	140 210	26 506	(63)	(51 304)	115 349
Motor vehicles	13 661	1 048	(1 218)	(5 963)	7 528
Furniture and fittings	16 648	2 554	(22)	(4 173)	15 007
<i>Leased</i>	<b>2 804</b>	<b>5 599</b>	<b>–</b>	<b>(4 105)</b>	<b>4 298</b>
Data-processing equipment	2 366	5 599	–	(3 667)	4 298
Motor vehicles	438	–	–	(438)	–
	<b>1 083 494</b>	<b>115 871</b>	<b>(2 111)</b>	<b>(141 952)</b>	<b>1 055 302</b>

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Opening carrying value R'000	Additions/ (transfers) R'000	Disposals R'000	Depreciation R'000	Closing carrying value R'000
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>					
<b>(continued)</b>					
<b>2006</b>					
<i>Owned</i>	1 116 198	97 978	(305)	(133 181)	1 080 690
Freehold land and buildings	690 234	23 421	(29)	(19 804)	693 822
Leasehold improvements	90 459	32 047	(1)	(22 363)	100 142
Machinery and equipment	141 261	9 455	(116)	(34 393)	116 207
Data-processing equipment	164 006	26 743	(94)	(50 445)	140 210
Motor vehicles	14 266	2 315	(65)	(2 855)	13 661
Furniture and fittings	15 972	3 997	–	(3 321)	16 648
<i>Leased</i>	9 331	–	–	(6 527)	2 804
Data-processing equipment	6 776	–	–	(4 410)	2 366
Motor vehicles	2 555	–	–	(2 117)	438
	1 125 529	97 978	(305)	(139 708)	1 083 494

A register of land and buildings is available for inspection at the registered office of each Company in the Group.

No fixed assets in the Group have been impaired during the year (2006: none).

Details of the finance lease obligations and related security are disclosed in note 16.

Company	2007			2006		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
<i>Owned</i>	<b>1 909 403</b>	<b>(900 897)</b>	<b>1 008 506</b>	1 835 466	(813 801)	1 021 665
Freehold land and buildings	732 389	(44 282)	688 107	699 724	(27 755)	671 969
Leasehold improvements	224 834	(133 595)	91 239	208 525	(110 461)	98 064
Machinery and equipment	450 340	(344 024)	106 316	442 768	(332 233)	110 535
Data-processing equipment	465 073	(355 710)	109 363	451 143	(323 038)	128 105
Motor vehicles	2 310	(1 250)	1 060	1 216	(1 096)	120
Furniture and fittings	34 457	(22 036)	12 421	32 090	(19 218)	12 872
<i>Leased</i>						
Data processing equipment	18 827	(14 529)	4 298	13 228	(10 862)	2 366
	<b>1 928 230</b>	<b>(915 426)</b>	<b>1 012 804</b>	1 848 694	(824 663)	1 024 031

	Opening carrying value R'000	Additions/ (transfers) R'000	Disposals R'000	Depreciation R'000	Closing carrying value R'000
<b>2. PROPERTY, PLANT AND EQUIPMENT (continued)</b>					
The movement in the carrying value of property, plant and equipment can be reconciled as follows:					
<b>2007</b>					
<i>Owned</i>	<b>1 021 665</b>	<b>108 212</b>	<b>(893)</b>	<b>(120 478)</b>	<b>1 008 506</b>
Freehold land and buildings	671 969	33 764	(4)	(17 622)	688 107
Leasehold improvements	98 064	20 557	(51)	(27 331)	91 239
Machinery and equipment	110 535	25 748	(753)	(29 214)	106 316
Data-processing equipment	128 105	24 605	(63)	(43 284)	109 363
Motor vehicles	120	1 048	–	(108)	1 060
Furniture and fittings	12 872	2 490	(22)	(2 919)	12 421
<i>Leased</i>					
Data-processing equipment	2 366	5 599	–	(3 667)	4 298
	<b>1 024 031</b>	<b>113 811</b>	<b>(893)</b>	<b>(124 145)</b>	<b>1 012 804</b>
<b>2006</b>					
<i>Owned</i>	1 046 110	94 768	(240)	(118 973)	1 021 665
Freehold land and buildings	668 131	23 421	(29)	(19 554)	671 969
Leasehold improvements	87 274	31 930	(1)	(21 139)	98 064
Machinery and equipment	134 462	9 455	(116)	(33 266)	110 535
Data-processing equipment	144 220	26 239	(94)	(42 260)	128 105
Motor vehicles	185	(12)	–	(53)	120
Furniture and fittings	11 838	3 735	–	(2 701)	12 872
<i>Leased</i>					
Data-processing equipment	6 776	–	–	(4 410)	2 366
	1 052 886	94 768	(240)	(123 383)	1 024 031

A register of land and buildings is available for inspection at the registered office of the Company.

No fixed assets in the Company have been impaired during the year (2006: none).

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

## 2. PROPERTY, PLANT AND EQUIPMENT (continued)

Details of the finance lease obligations and related security are disclosed in note 16.

The directors' valuation of freehold land and buildings is R605,4 million (2006: R614 million). Mail centres and hubs have been valued at depreciated replacement cost and all other fixed property at open market value. The market value determination has been arrived at by applying the investment approach (income method). Market values were obtained during March 2004 as well as March 2006.

Freehold land and buildings as well as significant components to the buildings are stated at the deemed cost thereof, comprising the market value as assessed by an independent, professionally qualified valuer. The useful lives of buildings have also been estimated by the valuers. Freehold land and buildings not meeting the classification of investment property is classified under property, plant and equipment (refer to note 3 for assumptions used in the determination of investment property). The useful life of each building save for any reclassification thereof to non-current assets held for sale is deemed to equate its economic useful life, as management has taken a decision not to sell these buildings.

Assets that are financed through project specific funding are recorded in the asset register and included in the above at R1 in accordance with the accounting policy for government grants. If these assets had been recorded at cost and depreciated over their expected useful lives, their book value would be as follows:

	Cost R'000	2007 Accumulated depreciation R'000	Carrying value R'000	Cost R'000	2006 Accumulated depreciation R'000	Carrying value R'000
<b>Group and Company</b>						
Freehold land and buildings	18 494	(2 520)	15 974	5 429	(1 207)	4 222
Leasehold improvements	106 777	(43 462)	63 315	41 003	(17 489)	23 514
Machinery and equipment	44 176	(7 432)	36 744	44 176	(3 060)	41 116
Data-processing equipment	205 719	(143 461)	62 258	177 070	(66 531)	110 539
Motor vehicles	490	(490)	–	490	(439)	51
Assets under construction	–	–	–	170	–	170
Furniture and fittings	1 228	(768)	460	1 134	(466)	668
	<b>376 884</b>	<b>(198 133)</b>	<b>178 751</b>	269 472	(89 192)	180 280
<b>3. INVESTMENT PROPERTIES</b>						
<b>Group</b>						
Freehold land and buildings	17 814	(1 061)	16 753	9 194	(384)	8 810
<b>Company</b>						
Freehold land and buildings	17 814	(1 061)	16 753	9 194	(384)	8 810

	Opening carrying value R'000	Reclassification R'000	Disposals R'000	Depreciation R'000	Closing carrying value R'000
<b>3. INVESTMENT PROPERTIES (continued)</b>					
The movement in the carrying value of investment properties can be reconciled as follows:					
<b>Group</b>					
<b>2007</b>					
Freehold land and buildings	<b>8 810</b>	<b>8 342</b>	–	<b>(399)</b>	<b>16 753</b>
<b>2006</b>					
Freehold land and buildings	9 002	–	–	(192)	8 810
<b>Company</b>					
<b>2007</b>					
Freehold land and buildings	<b>8 810</b>	<b>8 342</b>	–	<b>(399)</b>	<b>16 753</b>
<b>2006</b>					
Freehold land and buildings	9 002	–	–	(192)	8 810

The fair value of the investment properties is R28,7 million (2006: R20,1 million).

Investment properties and significant components thereof are stated at the deemed costs thereof, comprising the market value as assessed by an independent, professionally qualified valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The estimated useful lives of the relevant properties have also been assessed by said valuers. Fair values and the related yields were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property and are thus supported by market evidence at the time the valuations were performed. The market value determination has been arrived at by applying the investment approach (income method). Fair values were obtained during March 2004 as well as March 2006.

The following key assumptions were used in the determination of investment properties:

- Property is not capable of being divided into portions that can be separately sold or leased separately under a finance lease.
- The useful life of investment property has been estimated by the valuer.
- The useful life of each investment building save for any reclassification thereof to non-current assets held for sale is deemed to equate its economic useful life, as management has taken a decision not to sell these investment properties.
- Property is treated as investment property where the external lessees and vacant space amounts to at least 80% of the specific property.

	Cost R'000	2007 Accumulated amortisation R'000	Carrying value R'000	Cost R'000	2006 Accumulated amortisation R'000	Carrying value R'000
<b>4. INTANGIBLE ASSETS</b>						
<b>Group</b>						
Patents and trademarks	<b>18 045</b>	<b>(15 885)</b>	<b>2 160</b>	18 045	(14 805)	3 240
Computer software	<b>283 562</b>	<b>(209 859)</b>	<b>73 703</b>	244 545	(186 979)	57 566
	<b>301 607</b>	<b>(225 744)</b>	<b>75 863</b>	262 590	(201 784)	60 806

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Opening carrying value R'000	Additions/ (transfers) R'000	Disposals R'000	Amortisation R'000	Closing carrying value R'000
<b>4. INTANGIBLE ASSETS (continued)</b>					
The movement in the carrying value of intangible assets can be reconciled as follows:					
<b>Group 2007</b>					
Patents and trademarks	3 240	–	–	(1 080)	2 160
Computer software	57 566	44 043	(10)	(27 896)	73 703
	<b>60 806</b>	<b>44 043</b>	<b>(10)</b>	<b>(28 976)</b>	<b>75 863</b>
<b>2006</b>					
Patents and trademarks	4 320	–	–	(1 080)	3 240
Computer software	46 524	31 906	–	(20 864)	57 566
	50 844	31 906	–	(21 944)	60 806

	Cost R'000	2007 Accumulated amortisation R'000	Carrying value R'000	Cost R'000	2006 Accumulated amortisation R'000	Carrying value R'000
<b>Company</b>						
Computer software	274 584	(201 360)	73 224	235 056	(178 454)	56 602

The movement in the carrying value of intangible assets can be reconciled as follows:

	Opening carrying value R'000	Additions/ (transfers) R'000	Disposals R'000	Amortisation R'000	Closing carrying value R'000
<b>Company 2007</b>					
Computer software	56 602	44 003	(10)	(27 371)	73 224
<b>2006</b>					
Computer software	46 139	30 846	–	(20 383)	56 602

Included in intangible assets is computer software that is not considered integral to computer equipment.

Intangible assets that are financed through project specific funding are recorded in the asset register and included in the above at R1 in accordance with the accounting policy for government grants. If these assets had been recorded at cost and depreciated over their expected useful lives, their book value would be as follows:

	Cost R'000	2007 Accumulated amortisation R'000	Carrying value R'000	Cost R'000	2006 Accumulated amortisation R'000	Carrying value R'000
<b>Group and Company</b>						
Computer software	104 541	(35 812)	68 729	70 016	(19 098)	50 918

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
<b>5. AVAILABLE FOR SALE FINANCIAL ASSETS</b>				
<b>Unlisted investments</b>				
Uthingo Management (Pty) Limited	<b>12 859</b>	13 500	<b>12 859</b>	13 500
Centriq money market instruments	<b>54 973</b>	59 167	–	–
<b>Listed investments</b>				
Bonds	<b>33 552</b>	35 097	<b>33 552</b>	35 097
	<b>101 384</b>	107 764	<b>46 411</b>	48 597
<i>Less: Current portion</i>	<b>(87 925)</b>	(59 167)	<b>(32 952)</b>	–
	<b>13 459</b>	48 597	<b>13 459</b>	48 597

Financial assets are classified as available for sale when the intention with regard to the instrument and its origination and designation does not fall within the ambit of the other financial asset classification. Available for sale instruments are typically assets that are held for a longer period and in respect of which short-term fluctuations in value do not affect the Group's hold or sell decision.

Uthingo Management (Pty) Limited

The fair value of the investment in Uthingo Management (Pty) Limited ("Uthingo") is based on the Group's share of the indicative valuation of the total company. The investment is 1 125 ordinary shares in Uthingo which represents a 15% shareholding. The divided model approach was used, which determines the value of the final termination dividend based on the present value of the cash flows that the business can expect to generate after accounting for the liquidation costs.

The following key assumptions were used in the valuation:

- At 31 March 2007 the Uthingo licence had expired.
- The Group's shareholding in Uthingo is limited to the share of retained earnings after all liquidation costs plus share capital and premium.
- The final termination dividend due to the Group is the present value of the retained earnings and share capital and premium net of secondary tax on companies and capital gains tax.
- Uthingo will perform the required services according to the specifications and service levels of its licence agreement.
- Uthingo will comply with the requirements of all other agreements governing its operations.
- No additional capital expenditure will be incurred

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
<b>6. INVESTMENTS IN SUBSIDIARIES</b>				
<b>Unlisted investments</b>				
(refer to schedule 1)	–	–	<b>45 571</b>	44 764

Loans to subsidiaries amounting to R221,8 million (2006: R220,7 million) are subordinated in favour of creditors and investments amounting to R4,0 million (2006: R1,9 million) were impaired.

Refer to note 10 for additional impairment of Group receivables.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

## 7. PENSION FUND ASSET

The Post Office pension fund was converted from a defined benefit to a defined contribution scheme. Most employees opted to convert to the defined contribution scheme but pensioners and certain employees remained in the defined benefit scheme. The new fund is thus a hybrid scheme with both defined benefit and defined contribution elements. In the conversion of the fund a surplus arose estimated at R1,4 billion of which R800 million has been used to create all the required reserves in the fund to enhance members benefits and to remove all discriminatory practices in the existing rules.

The Board of Trustees agreed to apportion the remaining balance between the employer and employees in the ratio of 65%/35% resulting in a further R217 million being allocated to members to enhance the value of transfers to the defined contribution plan by 8,5%. In total therefore approximately 72% of the total surplus was allocated to the benefit of members and R400 million will be channelled to the Company by way of contribution holiday. This was considered to be equitable to all stakeholders.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Pension fund asset	<b>213 829</b>	353 836	<b>213 829</b>	353 836
The amount recognised as a pension fund asset was:				
Value of assets	<b>7 185 510</b>	7 021 000	<b>7 185 510</b>	7 021 000
Present value of obligations	<b>(6 628 957)</b>	(6 229 000)	<b>(6 628 957)</b>	(6 229 000)
Defined contribution members	<b>3 268 000</b>	2 746 000	<b>3 268 000</b>	2 746 000
Reserves related to defined contribution plan	<b>444 000</b>	413 000	<b>444 000</b>	413 000
Defined benefit members	<b>2 916 957</b>	3 070 000	<b>2 916 957</b>	3 070 000
Investment reserve	<b>556 553</b>	792 000	<b>556 553</b>	792 000
	<b>(334 538)</b>	(392 000)	<b>(334 538)</b>	(392 000)
Surplus	<b>222 015</b>	400 000	<b>222 015</b>	400 000
The amount that may be recognised as an asset is limited to lower of the amount as determined above or the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan plus any cumulative unrecognised net actuarial losses and past service cost.				
Present value of contribution holiday	<b>213 829</b>	353 836	<b>213 829</b>	353 836

The principal actuarial assumptions used were as follows:

	Future pension increases	Future salary increases	Expected return on assets	Discount rate
2006	5,7%	7,5%	10,5%	11,0%

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>8. DEFERRED TAXATION</b>				
The tax losses expire within 12 months of the Group not trading. The deductible temporary differences do not expire under current tax legislation.				
Recognised deferred tax assets and liabilities				
Asset	<b>353 317</b>	255 106	<b>350 083</b>	252 198
Leases	<b>14 827</b>	16 661	<b>14 827</b>	16 661
Employee benefits	<b>282 210</b>	193 559	<b>282 210</b>	193 559
Trade and other receivables	<b>6 545</b>	7 830	<b>6 545</b>	7 830
Provisions	<b>11 526</b>	5 705	<b>10 109</b>	4 501
Revenue	<b>36 392</b>	29 647	<b>36 392</b>	29 647
Other	<b>1 817</b>	1 406	–	–
Tax loss	–	298	–	–
Liability	<b>(128 800)</b>	(125 339)	<b>(128 202)</b>	(122 376)
Property, plant and equipment	<b>(121 541)</b>	(120 052)	<b>(120 943)</b>	(117 089)
Trade and other payables	<b>(4 282)</b>	(3 144)	<b>(4 282)</b>	(3 144)
Financial instruments	<b>(2 977)</b>	(2 143)	<b>(2 977)</b>	(2 143)
	<b>224 517</b>	129 767	<b>221 881</b>	129 822
Deferred tax balance at the beginning of the year	<b>129 767</b>	315 369	<b>129 822</b>	316 240
Restatement of opening balance	<b>255</b>	(18 358)	<b>255</b>	(7 675)
Restated deferred tax balance at the beginning of the year	<b>130 022</b>	297 011	<b>130 077</b>	308 565
Movement for the year	<b>94 495</b>	(167 244)	<b>91 804</b>	(178 743)
Deferred tax balance at the end of the year	<b>224 517</b>	129 767	<b>221 881</b>	129 822

	Balance 1 April 2005 R'000	Recognised in profit/ (loss) R'000	Balance 31 March 2006 R'000	Recognised in profit/ (loss) R'000	Balance 31 March 2007 R'000
<b>Group</b>					
<i>Movement in temporary differences</i>					
Property, plant and equipment	(185 581)	65 529	(120 052)	(1 489)	<b>(121 541)</b>
Leases	19 130	(2 469)	16 661	(1 834)	<b>14 827</b>
Trade and other payables	(4 395)	1 251	(3 144)	(1 138)	<b>(4 282)</b>
Employee benefits	336 961	(143 402)	193 559	88 651	<b>282 210</b>
Trade and other receivables	8 013	(183)	7 830	(1 285)	<b>6 545</b>
Provisions	3 138	2 567	5 705	5 821	<b>11 526</b>
Revenue	74 514	(44 867)	29 647	6 745	<b>36 392</b>
Financial instruments	4 634	(6 777)	(2 143)	(834)	<b>(2 977)</b>
Other	1 112	294	1 406	411	<b>1 817</b>
Tax loss	57 843	(57 545)	298	(298)	–
Tax asset	315 369	(185 602)	129 767	94 750	<b>224 517</b>

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Balance 1 April 2005 R'000	Recognised in profit/ (loss) R'000	Balance 31 March 2006 R'000	Recognised in profit/ (loss) R'000	Balance 31 March 2007 R'000
<b>8. DEFERRED TAXATION (continued)</b>					
<b>Company</b>					
<i>Movement in temporary differences</i>					
Property, plant and equipment	(182 353)	65 264	(117 089)	(3 854)	<b>(120 943)</b>
Leases	19 130	(2 469)	16 661	(1 834)	<b>14 827</b>
Trade and other payables	(4 395)	1 251	(3 144)	(1 138)	<b>(4 282)</b>
Employee benefits	336 961	(143 402)	193 559	88 651	<b>282 210</b>
Trade and other receivables	8 013	(183)	7 830	(1 285)	<b>6 545</b>
Provisions	2 255	2 246	4 501	5 608	<b>10 109</b>
Revenue	74 514	(44 867)	29 647	6 745	<b>36 392</b>
Financial instruments	4 634	(6 777)	(2 143)	(834)	<b>(2 977)</b>
Tax loss	57 481	(57 481)	–	–	<b>–</b>
<b>Tax asset</b>	<b>316 240</b>	<b>(186 418)</b>	<b>129 822</b>	<b>92 059</b>	<b>221 881</b>

	<b>Group</b>		<b>Company</b>	
	<b>2007</b> R'000	2006 R'000	<b>2007</b> R'000	2006 R'000
<i>Unrecognised deferred tax assets and liabilities</i>				
<b>Asset</b>	<b>80 873</b>	83 244	–	–
Leases	<b>6 443</b>	4 917	–	–
Employee benefits	<b>5 026</b>	3 638	–	–
Trade and other receivables	<b>7 618</b>	5 767	–	–
Provisions	<b>198</b>	296	–	–
Revenue	<b>1 156</b>	1 321	–	–
Tax loss	<b>60 432</b>	67 305	–	–
<b>Liability</b>	<b>(1 607)</b>	(4 548)	–	–
Property, plant and equipment	<b>(1 582)</b>	(4 032)	–	–
Trade and other payables	<b>(25)</b>	(516)	–	–
	<b>79 266</b>	78 696	–	–

	Balance 1 April 2005 R'000	Not recognised in profit/ (loss) R'000	Balance 31 March 2006 R'000	Not recognised in profit/ (loss) R'000	Balance 31 March 2007 R'000
<b>Group</b>					
<i>Movement in temporary differences</i>					
Property, plant and equipment	(6 840)	2 808	(4 032)	2 450	<b>(1 582)</b>
Leases	5 899	(982)	4 917	1 526	<b>6 443</b>
Trade and other payables	(340)	(176)	(516)	491	<b>(25)</b>
Employee benefits	4 494	(856)	3 638	1 388	<b>5 026</b>
Trade and other receivables	4 543	1 224	5 767	1 851	<b>7 618</b>
Provisions	157	139	296	(98)	<b>198</b>
Revenue	–	1 321	1 321	(165)	<b>1 156</b>
Tax loss	52 009	15 296	67 305	(6 873)	<b>60 432</b>
<b>Tax asset</b>	<b>59 922</b>	<b>18 774</b>	<b>78 696</b>	<b>570</b>	<b>79 266</b>

	<b>Group</b>		<b>Company</b>	
	<b>2007</b> <b>R'000</b>	2006 R'000	<b>2007</b> <b>R'000</b>	2006 R'000
<b>9. INVENTORIES</b>				
Consumable stores	<b>23 483</b>	23 956	<b>23 301</b>	23 956
Merchandise	<b>30 883</b>	48 164	<b>30 883</b>	48 164
	<b>54 366</b>	72 120	<b>54 184</b>	72 120
<b>10. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	<b>395 292</b>	488 089	<b>389 614</b>	323 927
Group receivables	–	–	<b>64 102</b>	72 662
Sundry receivables	<b>201 010</b>	120 940	<b>197 916</b>	120 701
Staff receivables	<b>232</b>	196	<b>226</b>	191
Impairment of trade and other receivables (excluding trade receivables)	<b>(51 539)</b>	(48 723)	<b>(14 697)</b>	(21 086)
Impairment of Group receivables	–	–	<b>(64 102)</b>	(72 662)
	<b>544 995</b>	560 502	<b>573 059</b>	423 733
Affected trade receivables are discounted at effective rate of 10,5% (2006: 10,5%).				
<b>Impairment of trade and other receivables</b>				
Opening balance	<b>(48 723)</b>	(38 299)	<b>(21 086)</b>	(15 390)
Net impairment (raised)/released in the current year	<b>(5 562)</b>	(20 943)	<b>6 799</b>	(13 335)
Receivables written off during the year as uncollectable	<b>1 147</b>	5 117	–	5 117
Unused amounts reversed	<b>1 599</b>	5 402	<b>(680)</b>	2 522
Closing balance	<b>(51 539)</b>	(48 723)	<b>(14 967)</b>	(21 086)
<b>11. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of cash on hand and actual bank balances and investments in money market instruments. Cash and cash equivalents comprise of the following:				
Cash at bank and on hand	<b>1 049 174</b>	974 194	<b>983 470</b>	950 170
Money market instruments	<b>3 531 236</b>	2 315 282	<b>3 531 236</b>	2 315 282
	<b>4 580 410</b>	3 289 476	<b>4 514 706</b>	3 265 452
The effective interest rate of money market instruments is 9,04% (2006: 6,94%).				
<b>12. SHARE CAPITAL</b>				
<b>Authorised</b>				
1 000 000 000 ordinary shares of R1 each	<b>1 000 000</b>	1 000 000	<b>1 000 000</b>	1 000 000
<b>Issued</b>				
200 939 821 ordinary shares of R1 each	<b>200 940</b>	200 940	<b>200 940</b>	200 940

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	<b>Group</b>		<b>Company</b>	
	<b>2007</b> <b>R'000</b>	2006 R'000	<b>2007</b> <b>R'000</b>	2006 R'000
<b>13. FOREIGN CURRENCY TRANSLATION RESERVE</b>				
Net investment in foreign operations	–	(10 165)	–	–
Opening balance	<b>(10 165)</b>	(10 165)	–	–
Movement for the year	<b>10 165</b>	–	–	–
Translation reserve	–	42	–	–
Opening balance	<b>42</b>	42	–	–
Movement for the year	<b>(42)</b>	–	–	–
	–	(10 123)	–	–
The reserve created in respect of the translation of foreign entities into the Post Office Group's functional currency was derecognised due to decision that was taken not to consolidate the Zimbabwean operations.				
<b>14. AVAILABLE FOR SALE RESERVE</b>				
Uthingo Management (Pty) Limited	<b>12 858</b>	13 499	<b>12 858</b>	13 499
Opening balance	<b>13 499</b>	37 499	<b>13 499</b>	37 499
Fair value adjustments	<b>(641)</b>	(24 000)	<b>(641)</b>	(24 000)
Bonds	<b>4 353</b>	5 835	<b>4 353</b>	5 835
Opening balance	<b>5 835</b>	5 820	<b>5 835</b>	5 820
Movements	<b>(1 482)</b>	22	<b>(1 482)</b>	22
Deferred taxation	–	(7)	–	(7)
Balance at 31 March 2007	<b>17 211</b>	19 334	<b>17 211</b>	19 334
<b>15. FUNDS RECEIVED FROM SHAREHOLDER</b>				
Funds received from shareholder	<b>750 000</b>	750 000	<b>750 000</b>	750 000
An amount of R750 million was received from National Treasury in March 2005 in order to recapitalise the SA Post Office. There is no intention to repay these funds which are viewed as being equity in nature.				
<b>16. INTEREST-BEARING BORROWINGS</b>				
Finance lease liabilities				
<i>Secured</i>				
Office equipment	–	783	–	–
The lease agreements with Stannic Limited bear interest at a rate that approximates prime. The lease was secured by property, plant and equipment. The liability was repayable in monthly instalments of R115 000 over the period, which varied between 1 to 12 months.				

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>16. INTEREST-BEARING BORROWINGS (continued)</b>				
Finance lease liabilities (continued)				
Secured (continued)				
Vuswa vehicles	–	496	–	–
There were 51 (2006: 51) vehicles being leased for a period of 27 months ending in July 2006. The vehicles were leased at a fixed interest rate of 14% for the duration of the lease period. No amounts were secured against this lease agreement. Lease liability was repayable in monthly instalments of R204 293 over the period to term date. Ownership of the vehicles has been transferred to the company.				
Nashua Photocopiers	4 383	2 744	4 383	2 744
There are 1 267 (2006: 1 267) photocopier machines leased from Nashua for a period of 60 months. The liability is repayable in monthly discounted instalments of R265 798 (2006: R445 603). 56% of the copy charge is the capital portion and will remain fixed for the duration of the lease. The balance being the service portion, will be escalated annually with 15%. Interest is charged at at prime plus 2%. No amounts have been secured against this lease agreement.				
	4 383	4 023	4 383	2 744
Less: Current portion	(2 773)	(4 001)	(2 773)	(2 722)
Office equipment	–	(783)	–	–
Vuswa vehicles	–	(496)	–	–
Nashua Photocopiers	(2 773)	(2 722)	(2 773)	(2 722)
Non-current portion	1 610	22	1 610	22

None of the contracts listed contain contingent rents. If there was an option to renew the lease in terms of the lease agreement, the assumption was made that management will exercise this option.

Reconciliation between the total minimum lease payments and present values:

	Within 1 year R'000	1 to 5 years R'000	Total R'000
Group			
2007			
Vehicles and other equipment			
Minimum lease payments	3 199	1 679	4 878
Future finance charges	(426)	(69)	(495)
Present value of minimum lease payments	2 773	1 610	4 383
2006			
Vehicles and other equipment			
Minimum lease payments	4 218	23	4 241
Future finance charges	(217)	(1)	(218)
Present value of minimum lease payments	4 001	22	4 023

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Within 1 year R'000	1 to 5 years R'000	Total R'000
<b>16. INTEREST-BEARING BORROWINGS (continued)</b>			
Company			
<b>2007</b>			
<i>Vehicles and other equipment</i>			
Minimum lease payments	3 199	1 679	4 878
Future finance charges	(426)	(69)	(495)
Present value of minimum lease payments	2 773	1 610	4 383
<b>2006</b>			
<i>Vehicles and other equipment</i>			
Minimum lease payments	2 842	23	2 865
Future finance charges	(120)	(1)	(121)
Present value of minimum lease payments	2 722	22	2 744

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>17. DEFERRED LEASE LIABILITY</b>				
The Group straightlined its operating leases where it is the lessee over the period of the lease contract. The current portion of the deferred lease liability is disclosed under note 20. Refer to note 32 for the future minimum payments under non-cancellable operating leases.				
Non-current portion	61 294	56 749	44 901	43 500

	Opening balance R'000	Provisions made/ (released) R'000	Benefits paid R'000	Closing balance R'000	Current portion R'000	Total non- current R'000
<b>18. EMPLOYMENT BENEFIT OBLIGATIONS</b>						
Group						
<b>2007</b>						
Post-retirement medical aid contributions	625 438	36 511	(77 711)	584 238	75 000	509 238
Leave obligation	93 557	31 837	(11 538)	113 856	–	113 856
Long-service awards	22 372	3 285	(3 732)	21 925	–	21 925
Post-retirement telephone obligation	9 342	766	(669)	9 439	720	8 719
	750 709	72 339	(93 650)	729 458	75 720	653 738
<b>2006</b>						
Post-retirement medical aid contributions	647 490	52 035	(74 087)	625 438	70 000	555 438
Leave obligation	82 421	20 852	(9 716)	93 557	–	93 557
Long-service awards	18 119	7 043	(2 790)	22 372	–	22 372
Post-retirement telephone obligation	9 462	532	(652)	9 342	720	8 622
	757 492	80 462	(87 245)	750 709	70 720	679 989

	Opening balance R'000	Provisions made/ (released) R'000	Benefits paid R'000	Closing balance R'000	Current portion R'000	Total non- current R'000
<b>18. EMPLOYMENT BENEFIT OBLIGATIONS (continued)</b>						
Company 2007						
Post-retirement medical aid contributions	619 913	38 576	(77 711)	580 778	75 000	505 778
Leave obligation	88 066	31 150	(11 538)	107 678	–	107 678
Long-service awards	21 705	2 931	(3 195)	21 441	–	21 441
Post-retirement telephone obligation	9 342	766	(669)	9 439	720	8 719
	<b>739 026</b>	<b>73 423</b>	<b>(93 113)</b>	<b>719 336</b>	<b>75 720</b>	<b>643 616</b>
2006						
Post-retirement medical aid contributions	642 000	52 000	(74 087)	619 913	70 000	549 913
Leave obligation	74 161	23 621	(9 716)	88 066	–	88 066
Long-service awards	17 319	6 910	(2 524)	21 705	–	21 705
Post-retirement telephone obligation	9 462	532	(652)	9 342	720	8 622
	<b>742 942</b>	<b>83 063</b>	<b>(86 979)</b>	<b>739 026</b>	<b>70 720</b>	<b>668 306</b>

#### Post-retirement medical aid contributions

The fair value of the assets held in the external fund to be used to settle the medical benefits at the same date, amounted to R434,0 million (2006: R337,0 million). The monies in the off-balance sheet external fund were placed in a "contribution reserve" under the administration of Medipos Medical Aid Scheme ("Medipos") to fund the post-retirement medical aid contributions. Uncertainty arose in the previous financial years as to whether the funds belong to the members of Medipos to further the aims and objectives of scheme itself, or whether the funds belong to the current and future pensioners of the Company to fund their post-retirement medical aid contributions. The parties have agreed to split the funds between them and have renegotiated the split. Only the Company's portion has been taken into consideration. The scheme's rules still need to be changed to effect this.

The Company has negotiated with its employees that no employees retiring after 30 June 2005 will receive post-retirement medical aid benefits. This curtailment of benefits was accounted for during the 2005 year.

The amount recognised in the income statement is determined as follows:

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Current service cost	527	367	–	–
Interest charge	69 224	76 484	69 000	76 000
Expected return on plan assets	(26 000)	(24 000)	(26 000)	(24 000)
Actuarial (gain)/loss recognised	(816)	(816)	2 000	–
	<b>42 935</b>	<b>52 035</b>	<b>45 000</b>	<b>52 000</b>

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

## 18. EMPLOYMENT BENEFIT OBLIGATIONS (continued)

### Post-retirement medical aid contributions (continued)

The movement in the past service liability for the Company is as follows:

	Liability R'000	Plan assets R'000	Net asset/ (liability) R'000
<b>2007</b>			
Past service liability at the beginning of year	(953 000)	–	(953 000)
Value of plan assets at beginning of year	–	337 000	337 000
(Interest charge)/expected return on plan assets	(69 000)	26 000	(43 000)
Contributions paid	78 000	–	78 000
Actuarial (gain)/loss	(60 000)	71 000	11 000
	<b>(1 004 000)</b>	<b>434 000</b>	<b>(570 000)</b>
<b>2006</b>			
Past service liability at the beginning of year	(929 000)	–	(929 000)
Value of plan assets at beginning of year	–	287 000	287 000
(Interest charge)/expected return on plan assets	(76 000)	24 000	(52 000)
Contributions paid	74 000	–	74 000
Actuarial (gain)/loss	(22 000)	26 000	4 000
	<b>(953 000)</b>	<b>337 000</b>	<b>(616 000)</b>

	2007 R'000	2006 R'000
Provision at end of year	580 778	619 913
Less: Unrecognised portion of actuarial losses	(10 778)	(3 913)
	<b>570 000</b>	<b>616 000</b>

### Sensitivity analysis

Below the effects on the central basis results of both increasing and decreasing the inflation rate by 1% throughout, whilst keeping all other assumptions constant:

		Liability R'000	Change in liability %
<b>Changes to medical inflation</b>	+1%	1 101 000	9,70
	Central	1 004 000	–
	-1%	920 000	(8,30)

The principal actuarial assumptions used to determine the present value of the post-retirement medical aid contribution benefits are:

### Company and Group

The entire yield curve as supplied by the Bond Exchange of South Africa (BESA) as at 15 March 2007 was used. Therefore a single assumption for the discount rate is not shown.

### Leave obligation

Employees are entitled to 22 days per annum and are entitled to an additional two days in their tenth year with the Group. After this the employee is again entitled to 22 days. Per legislation employees have to take 15 days leave per annum. Employees in the bargaining unit can encash leave once they have taken 15 days in a year. As from 1 April 2005 the Company has a "use it or lose it" policy in respect of leave.

## 18. EMPLOYMENT BENEFIT OBLIGATIONS (continued)

### Leave obligation (continued)

#### Capped leave

Leave that bargaining unit employees encash and leave taken whilst in service is valued at the employee's pensionable salary as at 2001/2002 and leave paid out on termination of employment is valued at the employees' pensionable salary plus housing allowance. Leave paid out on termination for non-bargaining unit employees is valued at pensionable salary as at 2001. The following assumptions are relevant:

- 50% of accrued leave will be encashed and 50% will be taken.
- Capped leave accrues with service.

#### Normal accrued leave

Leave that bargaining unit employees encash and leave taken whilst in service is valued at the employee's pensionable salary and leave paid out on termination of employment is valued at the employee's pensionable salary plus housing allowance. Leave paid out on termination for non-bargaining unit employees is valued at pensionable salary at time of termination. The following assumptions were made in respect of accrued leave:

- Accrued leave will be encashed or taken at an average rate of five days per annum.
- 50% of accrued leave will be encashed and 50% will be taken.

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.

The funded status of the leave obligation at 31 March 2007 was as follows:

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Present value of funded obligations	113 856	93 557	107 678	88 066
Net liability in balance sheet	113 856	93 557	107 678	88 066
The amount recognised in the income statement is determined as follows:				
Current service costs	–	7 573	–	6 224
Interest costs	6 255	6 110	6 255	6 110
Actuarial loss recognised in the year	25 582	7 169	24 895	11 287
	31 837	20 852	31 150	23 621

#### Sensitivity analysis – Capped leave

Below the sensitivity of the capped leave results to changes in the discount rate and salary inflation assumption when the yield curve was shifted up and down by 1%:

		Liability R'000	Change in liability %
Sensitivity to discount rate	+1%	15 012	(4,60)
	Central	15 736	–
	-1%	16 530	5,00

The principal actuarial assumptions used to determine the present value of the leave liability are:

The entire yield curve as supplied by the Bond Exchange of South Africa (BESA) as at 15 March 2007 was used.

#### Long-service awards

The Group provides employees with long-service awards for every five years' uninterrupted service. The Group's net obligation in this regard is the amount of future benefit that employees have earned in return for their service in future and prior periods. The obligation is valued at least every three years by independent qualified actuaries. Any unrecognised actuarial gains/losses and past service costs are recognised immediately. There are no plan assets for this liability and the employer funds this as it needs to be settled.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
<b>18. EMPLOYMENT BENEFIT OBLIGATIONS (continued)</b>				
Long service awards (continued)				
Funded status				
The funded status of the long-service award obligation at 31 March 2007 was as follows:				
Present value of funded obligations	<b>21 925</b>	22 372	<b>21 441</b>	21 705
Net liability in balance sheet	<b>21 925</b>	22 372	<b>21 441</b>	21 705
The amount recognised in the income statement is determined as follows:				
Current service costs	<b>1 781</b>	1 609	<b>1 623</b>	1 421
Interest charge	<b>1 711</b>	1 432	<b>1 671</b>	1 381
Actuarial (gain)/loss recognised in the year	<b>(207)</b>	4 002	<b>(363)</b>	4 108
	<b>3 285</b>	7 043	<b>2 931</b>	6 910

Below the effects on the long-service award results to changes on the discount rate when the yield curve was shifted up and down by 1%:

Sensitivity analysis		Liability	Change
		R'000	in liability %
	+1%	28 833	(6,60)
	Central	30 881	–
	-1%	33 180	7,40

The present value was determined using the BESA par yield curve at different durations as awards remain constant and will be sensitive to changes in the yield curve.

### Post-retirement telephone obligation

The Group has undertaken to pay telephone accounts for certain retired employees until either the time of their death, that of their spouse or they change their address. The Group's net obligation in this regard is the amount of future benefit that employees have earned in return for their service in the prior periods. The obligation is valued at least every three years by independent qualified actuaries. Any unrecognised actuarial gains/losses and past service costs are recognised immediately. There are no plan assets for this liability and the employer funds this as it needs to be settled.

The funded status of the post-retirement telephone obligation at 31 March 2007 was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
Present value of funded obligations	<b>9 439</b>	9 342	<b>9 439</b>	9 342
Net liability in balance sheet	<b>9 439</b>	9 342	<b>9 439</b>	9 342
The amount recognised in the income statement is determined as follows:				
Interest charge	<b>638</b>	692	<b>638</b>	692
Actuarial loss/(gain) recognised in the year	<b>128</b>	(160)	<b>128</b>	(160)
	<b>766</b>	532	<b>766</b>	532

## 18. EMPLOYMENT BENEFIT OBLIGATIONS (continued)

### Post-retirement telephone obligation (continued)

Below the effects on the central basis results of both increasing and decreasing the inflation rate by 1% throughout, whilst keeping all other assumptions constant:

		Liability R'000	Change in liability %
Sensitivity to inflation	+1%	10 343	9,60
	Central	9 439	–
	-1%	8 652	(8,30)

The actuarial value of the vested obligation is based on the past history. The principal actuarial assumptions used to determine the present value of the post-retirement telephone benefits are:

Year	Inflation rate %	Discount rate %
2007	5,32	7,75
2006	5,00	7,40

	Opening balance R'000	Provisions raised R'000	Provisions (utilised)/ interest cost R'000	Closing balance R'000	Current portion R'000	Total non- current R'000
<b>19. PROVISIONS</b>						
Group						
2007						
Decommissioning	3 137	4 188	317	7 642	–	7 642
2006						
Decommissioning	2 819	–	318	3 137	–	3 137
Company						
2007						
Decommissioning	2 530	4 150	279	6 959	–	6 959
2006						
Decommissioning	2 279	–	251	2 530	–	2 530

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

Notes to the annual financial statements (continued)  
for the year ended 31 March 2007

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>20. TRADE AND OTHER PAYABLES</b>				
Trade payables	906 727	758 730	727 107	599 968
Other payables	125 598	201 813	283 414	205 511
Unearned revenue	225 894	223 985	203 810	199 991
Amount owing to shareholder*	139 074	124 604	139 074	124 604
Outstanding insurance claims	1 767	14 716	–	–
Current portion of deferred lease liability	6 098	15 329	1 844	12 088
	<b>1 405 158</b>	1 339 177	<b>1 355 249</b>	1 142 162
The fair value of trade and other payables are based on cash flows discounted using a rate based on 12,5% (2006: 10,5%)				
<b>21. FUNDS COLLECTED ON BEHALF OF THIRD PARTIES</b>				
Agency services collections	370 319	74 228	370 319	74 228
Money and postal orders	39 253	24 266	39 253	24 266
	<b>409 572</b>	98 494	<b>409 572</b>	98 494
<b>22. DEPOSITS FROM THE PUBLIC</b>				
Deposits from the public payable on demand	2 603 391	2 296 782	2 603 391	2 296 782
Included in this amount are inactive accounts amounting to R22,5 million (2006: R19,8 million). These are accounts which have no transaction movements for at least four years. Interest is paid and administration fees are levied on the accounts.				
Deposits from the public are covered by the following:				
Available for sale investments (refer to note 5)	33 552	35 097	33 552	35 097
Cash and cash equivalents (excluding subsidy)	2 569 839	2 261 685	2 569 839	2 261 685
	<b>2 603 391</b>	2 296 782	<b>2 603 391</b>	2 296 782
In terms of section 58 of the Postal Services Act No 124 of 1998 the revenue and assets of the Company and thereafter of the state serve as security for the repayment of deposits in the Postbank.				
<b>23. TAXATION</b>				
Opening balance	112 392	64 948	108 203	62 660
Charge to income statement				
– Current tax	250 299	49 747	239 089	44 272
– Provision for interest	2 583	1 271	2 583	1 271
– Secondary tax on companies	–	1 011	–	–
	<b>365 274</b>	116 977	<b>349 875</b>	108 203
Tax paid	(171 309)	(4 585)	(159 000)	–
Closing balance	<b>193 965</b>	112 392	<b>190 875</b>	108 203

\* The liability arose as a result of the incorporation of the TBVC post offices. It bears interest at 12,0% (2006: 10,5%) in terms of the Public Finance Management Act.

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
<b>24. REVENUE</b>				
Revenue comprises income from services provided and the sale of retail products, excluding value added tax, rebates and discounts. These services include work performed as agent of certain government departments, other authorities and businesses.				
Analysis of revenue by main business activity:				
Postal services	<b>3 345 440</b>	3 097 908	<b>3 327 614</b>	3 064 440
Courier services (Logistical services including speed services)	<b>683 726</b>	686 612	<b>294 385</b>	270 849
Agency and money transfer services	<b>412 665</b>	381 481	<b>412 665</b>	381 481
Retail products	<b>172 348</b>	122 646	<b>172 348</b>	122 646
Postbank	<b>271 298</b>	230 840	<b>271 298</b>	230 840
Interest received	<b>174 832</b>	119 406	<b>174 832</b>	119 406
Ledger fees and transaction charges	<b>96 466</b>	111 434	<b>96 466</b>	111 434
	<b>4 885 477</b>	4 519 487	<b>4 478 310</b>	4 070 256

#### Unearned revenue assumptions

##### *Bulkmail, parcels and registered letters revenue*

The Post Office has contracted the services of the Independent Standard Quality Monitor (ISQM) to measure the mail delivery standard. The results generated are based on the actual mail delivery statistics. The deferred revenue calculation is based on this mail delivery performance statistics. Assumptions were used that 25% of all mail posted was delivered within the same region and 75% delivery between regions.

##### *Franking mail revenue*

The deferred revenue calculation is based on the assumption that eight working days revenue is unearned. This period is formulated on a combination of the mail delivery standard and the holding time of customers after purchase.

##### *Box revenue*

The renewal cycle for the rental of the boxes is a calendar year from 1 January to 31 December, however, the financial year for the Post Office is 1 April to 31 March. This means that only the revenue for three months of renewal cycle is earned for that financial year and the remaining nine months of the renewal cycle is regarded as deferred revenue.

##### *Stamp and envelope revenue*

The deferred revenue calculation is based on the assumption that ten working days revenue is unearned. This period is formulated on a combination of the mail delivery standards and the holding time of customers after purchase.

##### *International revenue*

As revenue have to be recognised when services are rendered and in terms of terminal dues, it will be recognised when items are delivered to their destinations. It was agreed that the Company use ISQM reports in terms of mail delivery standards and the calculation of the deferred revenue was based on performance statistics. The ISQM reports were applied for the different categories on a weighted average basis. The last seven days sales were extracted and the statistics from ISQM reports was used to obtain the revenue to be deferred for those days.

##### *Courier (logistical) services*

###### *Domestic items*

The assumption is that all items accepted on 31 March will only be delivered the next day and therefore this revenue is deferred.

###### *International items*

The assumption is that 80% of the revenue generated on the 31 March is deferred to the new financial year.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>25. OTHER OPERATING INCOME</b>				
Includes:				
Income from subsidiaries				
Administration fees received	–	–	<b>1 200</b>	1 200
Net profit/(loss) on disposals of property, plant and equipment	<b>2 226</b>	4 396	<b>(844)</b>	(119)
Dividends received	<b>15 052</b>	24 000	<b>15 052</b>	24 000
Insurance premium revenue	<b>35 287</b>	15 367	–	–
Rental income from investment property	<b>1 716</b>	4 391	<b>1 716</b>	4 391
<b>26. OTHER EXPENDITURE</b>				
Includes:				
Auditors' remuneration	<b>8 896</b>	13 745	<b>7 521</b>	8 110
– Audit fees – current year	<b>8 771</b>	9 607	<b>7 396</b>	7 192
– Underprovision – prior year	–	3 220	–	–
– Audit related services	–	768	–	768
– Disbursements	<b>125</b>	150	<b>125</b>	150
Directors' emoluments	<b>10 047</b>	7 295	<b>8 565</b>	6 184
– Services as executive directors	<b>8 494</b>	6 008	<b>7 012</b>	4 923
– Services as non-executive directors	<b>1 553</b>	1 287	<b>1 553</b>	1 261
Depreciation on property, plant and equipment (refer note 2)	<b>141 952</b>	139 708	<b>124 145</b>	123 383
– Freehold land and buildings	<b>17 911</b>	19 804	<b>17 622</b>	19 554
– Leasehold improvements	<b>28 118</b>	22 363	<b>27 331</b>	21 139
– Machinery and equipment	<b>30 378</b>	34 393	<b>29 214</b>	33 266
– Data processing equipment	<b>54 971</b>	54 855	<b>46 951</b>	46 670
– Motor vehicles	<b>6 401</b>	4 972	<b>108</b>	53
– Furniture and fittings	<b>4 173</b>	3 321	<b>2 919</b>	2 701
Depreciation on investment properties (refer to note 3)	<b>399</b>	192	<b>399</b>	192
Amortisation of intangible assets (refer note 4)	<b>28 976</b>	21 944	<b>27 371</b>	20 383
Operating expenses from investment properties	<b>1 073</b>	615	<b>1 073</b>	615
Inventory write-down	<b>2 772</b>	5 955	<b>2 772</b>	5 955
Direct operating expenses relating to investment properties that:				
– Generated rental income	<b>68</b>	330	<b>68</b>	330
– Did not generate rental income	<b>760</b>	285	<b>760</b>	285
Net effect of project specific subsidy acknowledged as income	–	–	–	–
Subsidy received	<b>263 171</b>	267 739	<b>263 171</b>	267 739
Less: Expenditure acknowledged	<b>(263 171)</b>	(267 739)	<b>(263 171)</b>	(267 739)
– Improving working environment	<b>84 100</b>	–	<b>84 100</b>	–
– Universal service obligation	<b>72 892</b>	86 657	<b>72 892</b>	86 657
– System improvements	<b>63 020</b>	21 246	<b>63 020</b>	21 246
– Other	<b>43 159</b>	36 842	<b>43 159</b>	36 842
– Retail operations	–	14 194	–	14 194
– Mail delivery and sorting agents	–	43 385	–	43 385
– New point of sale system	–	59 757	–	59 757
– Post Office restructuring	–	5 658	–	5 658

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
<b>26. OTHER EXPENDITURE (continued)</b>				
Included in the above expenditure is the acquisition of property, plant and equipment of R141,9 million (2006: R116,2 million) which was expensed immediately per the accounting policy for government grants.				
There are no unfulfilled conditions or contingencies.				
Certain projects such as the SAP upgrade, Track and Trace and the Point of Sale have not been completed during the year under review. An amount of R217,9 million (2006: R131,2 million) has been rolled over to the 2007 financial year for these projects.				
Consultancy fees	<b>59 308</b>	66 758	<b>58 631</b>	60 988
Technology	<b>14 357</b>	7 488	<b>14 367</b>	4 241
Excel thru attitude	<b>3 593</b>	1 142	<b>3 593</b>	1 142
Forensic audit	<b>3 802</b>	568	<b>3 802</b>	568
Business restructuring	<b>13 520</b>	20 268	<b>12 857</b>	18 268
Properties	<b>949</b>	58	<b>949</b>	58
Post-retirement medical aid valuation	<b>276</b>	100	<b>276</b>	100
IFRS conversion fees	–	6 945	–	6 945
Revenue protection	<b>351</b>	–	<b>351</b>	–
Insurance	<b>624</b>	1 275	<b>624</b>	1 275
Occupational health and safety	<b>3 814</b>	3 877	<b>3 814</b>	3 877
Due diligence	–	1 320	–	1 320
Delivery standard measurement	<b>14 064</b>	16 948	<b>14 064</b>	16 948
Other	<b>3 958</b>	6 769	<b>3 934</b>	6 246
Net foreign currency (gains)/losses	<b>(4 714)</b>	4 590	<b>(4 714)</b>	4 590

#### Service concessions

##### *Universal service obligation*

The universal service aims to ensure that basic postal services and financial transactions which are essential to social and economical inclusion are available to everybody in an appropriate way at an affordable cost. This is intended to ensure that people living in rural areas obtain the advantage of postal and financial services, irrespective whether the income generated is less than the cost of providing the service.

##### *Licence agreement*

In terms of section 16(3) of the Postal Services Act, 1998 (Act No 124 of 1998) the Minister of Communications granted and issued a licence to the Post Office with a period of validity of 25 years, effective 1 April 2000.

In terms of the licence conditions the Post Office must pay the National Reserve Fund (or SA Government) an annual licence fees of R16 million, escalating annually with CPI, but never lower than R16 million.

The above obligation has been replaced in October 2005 with an annual licence fee equal to 0,55% of the Post Office's annual regulated turnover.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>27. FINANCE INCOME</b>				
Investments and current accounts	<b>166 385</b>	85 113	<b>158 458</b>	80 341
Subsidiaries	–	–	<b>280</b>	511
Trade receivables discounted	<b>3 614</b>	17 242	<b>3 614</b>	16 500
	<b>169 999</b>	102 355	<b>162 352</b>	97 352
<b>28. FINANCE COST</b>				
Postbank depositors	<b>61 454</b>	39 228	<b>61 454</b>	39 228
Overdraft and banking facilities	<b>7 422</b>	7 571	<b>5 252</b>	4 761
Former TBVC states loan	<b>14 470</b>	12 369	<b>14 470</b>	12 369
Trade payables discounted	<b>10 842</b>	16 326	<b>10 842</b>	15 154
	<b>94 188</b>	75 494	<b>92 018</b>	71 512
<b>29. TAXATION EXPENSE</b>				
Normal South African income tax at 29%				
– Current tax	<b>250 299</b>	49 747	<b>239 089</b>	44 272
– Secondary tax on companies	–	1 011	–	–
– Deferred tax	<b>(94 750)</b>	185 602	<b>(92 059)</b>	186 418
	<b>155 549</b>	236 360	<b>147 030</b>	230 690
Calculated tax loss	<b>203 806</b>	226 903	–	–
<b>Tax rate reconciliation</b>				
Effective tax rate (%)	<b>30,7</b>	33,1	<b>29,2</b>	34,1
Tax loss created/(utilised) (%)	<b>(1,3)</b>	(6,9)	<b>0,0</b>	(1,0)
Dividend income (%)	<b>0,8</b>	1,0	<b>0,9</b>	1,0
Disallowed expenditure (%)	<b>(1,3)</b>	(8,6)	<b>(1,1)</b>	(5,1)
Secondary tax on companies (%)	<b>0,0</b>	(0,2)	<b>0,0</b>	0,0
Net deferred tax asset not raised (%)	<b>0,1</b>	10,6	<b>0,0</b>	0,0
Standard tax rate (%)	<b>29,0</b>	29,0	<b>29,0</b>	29,0
<b>30. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS</b>				
The results of the discontinued operations are as follows:				
Revenue	<b>804</b>	–	–	–
Expenses	<b>(645)</b>	(6 490)	–	–
Profit/(loss)	<b>159</b>	(6 490)	–	–

The results of the SADC operations which consist of Courier and Freight Zimbabwe (Private) Limited, Courier and Freight Botswana (Pty) Limited, Courier and Freight Swaziland (Pty) Limited and Courier and Freight Namibia (Pty) Limited have been disclosed as a discontinued operation. The SADC operations are a separate geographical operation and have been discontinued as from the 2006 financial year.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>31. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>31.1 Reconciliation of operating loss to cash generated from operations</b>				
Operating profit	<b>430 755</b>	687 999	<b>433 981</b>	651 259
Adjustments for:				
Depreciation on property, plant and equipment	<b>141 952</b>	139 708	<b>124 145</b>	123 383
Impairment and depreciation on investment properties	<b>399</b>	192	<b>399</b>	192
Amortisation of intangible assets	<b>28 976</b>	21 944	<b>27 371</b>	20 383
Increase/(decrease) in impairment of trade and other receivables	<b>2 816</b>	10 424	<b>(6 389)</b>	5 696
(Decrease)/increase in impairment of Group receivables	<b>–</b>	–	<b>(8 560)</b>	72 662
Increase in provisions	<b>4 505</b>	318	<b>4 429</b>	251
(Profit)/loss on disposal of property, plant and equipment	<b>(2 226)</b>	(4 396)	<b>844</b>	119
Increase/(decrease) in impairment of loans	<b>–</b>	–	<b>743</b>	(1 903)
Provision for employment benefit obligations	<b>72 399</b>	80 462	<b>73 423</b>	83 063
Employment benefits paid from provision	<b>(93 650)</b>	(87 245)	<b>(93 113)</b>	(86 979)
Increase/(decrease) in deferred lease liability	<b>4 545</b>	(10 071)	<b>1 401</b>	(7 644)
Dividends received	<b>(15 052)</b>	(24 000)	<b>(15 052)</b>	(24 000)
Profit/(loss) from discontinued operations	<b>159</b>	(6 490)	<b>–</b>	–
Pension fund asset	<b>140 007</b>	(353 836)	<b>140 007</b>	(353 836)
SADC foreign currency derecognition	<b>10 123</b>	–	<b>–</b>	–
Operating profit before working capital changes	<b>725 708</b>	455 009	<b>683 629</b>	482 646
Decrease in working capital	<b>400 276</b>	14 928	<b>400 496</b>	4 896
Decrease in inventories	<b>17 754</b>	17 403	<b>17 936</b>	17 293
Decrease/(increase) in trade and other receivables	<b>16 305</b>	35 102	<b>(130 763)</b>	11 275
Increase/(decrease) in funds collected on behalf of third parties	<b>311 078</b>	(28 463)	<b>311 078</b>	(28 463)
Increase/(decrease) in trade and other payables	<b>55 139</b>	(9 114)	<b>202 245</b>	4 791
Cash generated from operations	<b>1 125 984</b>	469 937	<b>1 084 125</b>	487 542
<b>31.2 Proceeds on disposal of property, plant and equipment</b>				
Carrying value of disposals	<b>2 111</b>	305	<b>893</b>	240
Profit/(loss) on disposal	<b>2 226</b>	4 396	<b>(844)</b>	(119)
	<b>4 337</b>	4 701	<b>49</b>	121

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	<b>Group</b>		<b>Company</b>	
	<b>2007</b> <b>R'000</b>	2006 R'000	<b>2007</b> <b>R'000</b>	2006 R'000
<b>32. COMMITMENTS</b>				
<b>Capital commitments</b>				
Capital expenditure authorised by the Board of Directors at the balance sheet date but not recognised in the financial statements is as follows:				
Contracted for	<b>300 643</b>	262 293	<b>298 542</b>	260 130
Not yet contracted for	<b>112 224</b>	56 013	<b>111 238</b>	55 301
	<b>412 867</b>	318 306	<b>409 780</b>	315 431
The capital expenditure will be financed from funds generated by own operations and from external sources.				
<b>Operating lease commitments – lessee</b>				
The future minimum payments payable under non-cancellable operating leases are as follows:				
Buildings	<b>369 746</b>	325 611	<b>293 399</b>	245 795
Not later than 1 year	<b>122 955</b>	106 428	<b>107 335</b>	84 969
Later than 1 year and not later than 5 years	<b>145 881</b>	162 440	<b>117 920</b>	110 520
Later than 5 years	<b>100 910</b>	56 743	<b>68 144</b>	50 306
None of the lease agreements contain any contingent rent clauses and there are no contingent rent payments. It is also assumed that there are no restrictions that would impose additional debts that are not covered in the minimum contract terms. Rental payments are based on a rate per square meter relating to the prevalent market rate at the inception of the contract. Escalation clauses vary from contract to contract averaging 8,0%. Contract renewal options are assumed to be exercised by the Company, unless advised otherwise by management.				
Vehicles and other equipment	<b>93 526</b>	62 813	<b>90 882</b>	56 527
Not later than 1 year	<b>51 023</b>	36 384	<b>49 214</b>	32 711
Later than 1 year and not later than 5 years	<b>42 503</b>	26 429	<b>41 668</b>	23 816
The Group leases vehicles from Avis Fleet Services and Fleet Africa under FML agreements. The lease period ranges from two to five years at an interest rates of prime less 2 to 2,25%. The vehicles are being utilised for the delivery of parcels and mail.				
Total	<b>463 272</b>	388 424	<b>384 281</b>	302 322
<b>Operating lease receivables – lessor</b>				
The future minimum payments receivable under non-cancellable operating leases are as follows:				
Buildings				
Not later than 1 year	<b>12 783</b>	11 967	<b>12 783</b>	11 967
Later than 1 year and not later than 5 years	<b>3 773</b>	12 951	<b>3 773</b>	12 951
Later than 5 years	–	8	–	8
Total	<b>16 556</b>	24 926	<b>16 556</b>	24 926

### 33. PENSIONS

#### Company

Benefits due to employees and related assets under the State Pension Fund were taken over by the Post Office Pension Fund, a defined benefit scheme, on 1 October 1991. During the 2006 financial year members were given the option to convert from defined benefit to defined contribution and 95% of active employees converted to defined contribution. The pension fund is thus a hybrid scheme as at 31 March 2006.

The financial position of the hybrid scheme is set out in note 7. The conversion to the hybrid scheme changed the manner in which the financial position of the scheme is managed and thus comparatives cannot be done in the same manner. The financial position of the defined benefit scheme as at 31 March 2005 was as follows:

	Plan asset R'000	Plan liability R'000	Net asset/ liability) R'000
<b>2005</b>			
Asset/(liability) at 31 March 2004	5 002 654	(4 091 464)	911 190
Company contributions	139 890	–	139 890
Members contributions	80 739	–	80 739
Current service cost	–	(84 645)	(84 645)
Benefit payments	(329 110)	329 110	–
Expected return on assets	425 226	–	425 226
Interest costs	–	(345 729)	(345 729)
Expected asset/(liability) at 31 March 2005	5 319 399	(4 192 728)	1 126 671

The last actuarial valuation was performed as at 31 March 2003. For funding purposes the funded level is 98,2%, which is regarded as being financially sound. The Company guaranteed the financial obligations of the Post Office Pension Fund.

The principal actuarial assumptions used in determining the cost of retirement benefits were:

Year	Discount rate %	Inflation rate %	Salary rate increase %	ROI %	Pension allowance increase %
2002/03	13,00	8,0	9,5	12,5	7,6
2003/04	11,00	6,0	7,5	10,5	5,7
2004/05	8,45	4,0	3,6	8,5	5,7

#### Group

In addition to the Company defined benefit scheme, the Group has three defined contribution plans for the employees of the subsidiary companies, namely two provident funds and a pension fund. These funds are registered under and governed by the Pension Funds Act No 24 1956. All of subsidiaries' employees are members of one of these funds.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Contributions paid to the pension fund	<b>183 178</b>	219 524	<b>166 668</b>	203 014

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>34. CONTINGENT LIABILITIES</b>				
South African Revenue Service	495	28 208	495	28 208
Taxation	495	10 850	495	10 850
Accrued interest	–	17 358	–	17 358
Settlement has been reached with regard to the disallowance of the section 24C allowance in the 1994 year of assessment. The 1994 assessment is in the process of being revised.				
Guarantees in respect of employee housing loans	7 049	13 181	7 049	13 181
Bank guarantees	8 250	25 468	8 250	25 468
Service providers	119 026	41 200	119 026	41 200
The service providers are suing the Post Office due to contracts and oral agreements being terminated earlier.				
Employees	7 600	5 800	7 600	5 800
Unsuccessful tenderers	514 000	514 000	514 000	514 000
The tenderers ceded their rights to a third party that sued the Company for the payment for the alleged non-award of the Biometric payment system tender. The directors do not believe that the claim against the Company will be successful.				
Third-party customers	–	53 000	–	53 000
Agency services rendered to the Stats SA Census. The plaintiff sued the Minister of Finance initially and the Post Office was invited by way of a third party. The Post Office has filed an objection plea. The action against the Post Office has been withdrawn.				
	<b>656 420</b>	<b>680 857</b>	<b>656 420</b>	<b>680 857</b>

The South African Post Office has received a summons from Mr M Manyatshe for alleged defamation amounting to R 270 million.

Mr K Mampeule has instituted a claim for unfair dismissal with the CCMA.

The directors are not in a position to determine whether these claims may lead to any financial loss for the South African Post Office at this stage.

## 35. PRIOR YEAR ADJUSTMENT

The financial statements for 2006 have been restated to correct prior year errors. The effect of the restatement is summarised below with explanations to the adjustments:

	R'000
Increase in employee benefit expenditure <sup>2</sup>	20 065
Decrease in other expenditure <sup>1</sup>	(2 642)
Increase in finance cost <sup>3</sup>	4 204
Increase in deferred taxation expense <sup>4</sup>	20 254
Decrease in current taxation expense <sup>4</sup>	(27 620)
Decrease in profit	14 261
Increase in intangible assets <sup>1</sup>	2 642
Increase in deferred taxation asset <sup>4</sup>	42 406
Increase in employment benefit obligations <sup>2</sup>	(20 065)
Increase in deposits from the public <sup>3</sup>	(2 933)
Increase in taxation payable <sup>4</sup>	(36 311)
Decrease in retained earnings	(14 261)

1 Depreciation – Computer software asset depreciated in the 2006 financial year. The financial statements of 2006 have been restated to correct the error. Refer to note 2.

2 Employee benefits

Long service awards – In the 2006 year the non-bargaining unit employees were not included in the valuation.

Leave pay – The assumptions used in the 2006 valuations were found to be not consistent with what the practice and policies are of the Group. The 2007 assumptions were applied to the 2006 valuation.

The financial statements of 2006 have been restated to correct the above errors. Refer to note 18.

3 Finance cost – Postbank Term Save interest was underprovided in the 2006 year and interest on taxation had to be provided. The financial statements of 2006 have been restated to correct the error. Refer to note 28.

4 Taxation – The incorrect treatment of IFRS adjustments on property, plant and equipment were corrected between current and deferred tax. The net impact of the other prior year adjustments (refer to notes 1 to 3 above) is also included in the movement. The error excludes an amount of R1,011 million that was reclassified as STC in the restated figures for 2006.

## 36. FINANCIAL RISK MANAGEMENT

### 36.1 Foreign currency risk management

Foreign currency exposures arise from the rendering of international postal services and products, as well as capital import commitments. The Group manages the foreign currency exposures relating to international postal services through the utilisation of natural hedges and netting arrangements. Forward exchange contracts are utilised to manage exposures relating to confirmed commitments.

The Group's exchange rate risk is managed by the Asset and Liability Committee (ALCO) within limits approved by the Board. Where the Rand value of a specific foreign currency commitment (transaction date) is less than R1 million no forward cover will be taken.

Where the Rand value of a specific foreign currency commitment (transaction date) is more than R1 million and the one-month volatility of that currency against the Rand indicates a potential loss of more than R500 000 for a 1% adverse change in the exchange rate, forward cover is taken to reduce the loss to less than R500 000 or any other percentage as determined by ALCO based on probability of occurrence.

#### *Forward exchange contracts – recognised transactions*

As at 31 March 2006, there were no outstanding forward foreign exchange contracts. (All contracts for that year had matured by year-end). The fair value of foreign exchange contracts that had not matured at 31 March 2007 was R624 445.

#### *Uncovered foreign exchange exposure*

At year-end, the Group was exposed to the following material foreign currency denominated assets and liabilities for which no forward cover had been taken out due to the time frame involved in the current Universal Postal Union payment arrangements.

		Group		Company	
		2007 Foreign amount '000	2006 Foreign amount '000	2007 Foreign amount '000	2006 Foreign amount '000
Great Britain Pounds	Assets	69	79	69	79
	Liabilities	3	5	3	5
United States Dollar	Assets	5	1	5	1
	Liabilities	–	–	–	–
Botswana Pula	Assets	110	137	110	137
	Liabilities	854	726	854	726
Special Drawing Rights*	Assets	16 761	18 508	16 761	18 508
	Liabilities	9 842	8 392	9 842	8 392
Zambia Kwacha	Assets	–	–	–	–
	Liabilities	89 115	58 005	89 115	58 005
Kenyan Shilling	Assets	–	–	–	–
	Liabilities	12 062	11 131	12 062	11 131
Canadian Dollar	Assets	–	–	–	–
	Liabilities	3	7	3	7

\* Accounting unit of the International Monetary Fund based on a basket of five currencies (US Dollar, German Mark, French Franc, Yen and Great Britain Pounds).

### 36.2 Interest rate risk management

The Group is exposed to interest rate risk as it borrows and places funds in the money market at both fixed and floating interest rates. This risk is managed by maintaining an approximate mix between fixed and floating interest rates, and by matching the underlying profiles of borrowings and investments based on asset and liability principles.

The Group's interest rate risk is managed by the ALCO within limits approved by the Board. The repricing mismatch between balance sheet assets and liabilities should not place more than 8% of net interest income (annualised) at risk given a 1% adverse movement in interest rates across the yield curve. The net interest income at risk on the 31 March 2007 was R20,7 million.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

## 36. FINANCIAL RISK MANAGEMENT (continued)

### 36.2 Interest rate risk management (continued)

The interest rate repricing profile at 31 March 2007 is summarised as follows:

	Floating rate	1 – 6 months	7 – 12 months	Beyond 1 year	Total floating rate borrowings/ investments
<b>Group</b>					
Borrowings (R'000)	20 267	2 373 741	25 317	184 066	2 603 391
Percentage of total borrowings (%)	1	91	1	7	100
Investments (R'000)	1 049 174	3 531 236	–	13 459	4 593 869
Percentage of total investments (%)	23	77	–	–	100
<b>Company</b>					
Borrowings (R'000)	20 267	2 373 741	25 317	184 066	2 603 391
Percentage of total borrowings (%)	1	91	1	7	100
Investments (R'000)	983 470	3 531 236	–	13 459	4 528 165
Percentage of total investments (%)	22	78	–	–	100

Borrowings includes deposits from the public.

### 36.3 Liquidity risk management

The Group manages liquidity risk through having sufficient short-term liquidity investments as well as ensuring that there are adequate banking facilities. The Group maintains callable overnight investments of R200 million and has R80 million in credit facilities with all major banks combined.

The Group's liquidity risk is managed by the ALCO within limits approved by the Board. Investments over six months are made on a matched basis with the maturity profile of the deposit base. This policy is there to protect the Group from being exposed to any liquidity concerns.

The maturity profiles of the financial instruments are summarised as follows:

	0 – 12 months R'000	1 – 5 years R'000	Beyond 5 years R'000	Total R'000
<b>Group</b>				
<i>Financial assets</i>				
Trade and other receivables	544 995	–	–	544 995
Cash and cash equivalents	4 580 410	–	–	4 580 410
Pension fund asset	144 444	69 385	–	213 829
Other financial assets	87 925	13 459	–	101 384
<i>Financial liabilities</i>				
Trade and other payables	1 599 123	–	–	1 599 123
Interest-bearing borrowings	2 773	1 610	–	4 383
Funds collected on behalf of third parties	409 572	–	–	409 572
Deposits from the public	2 603 391	–	–	2 603 391
<b>Company</b>				
<i>Financial assets</i>				
Trade and other receivables	573 059	–	–	573 059
Cash and cash equivalents	4 514 706	–	–	4 514 706
Pension fund asset	144 444	69 385	–	213 829
Other financial assets	32 952	13 459	–	46 411
<i>Financial liabilities</i>				
Trade and other payables	1 546 124	–	–	1 546 124
Interest-bearing borrowings	2 773	1 610	–	4 383
Funds collected on behalf of third parties	409 572	–	–	409 572
Deposits from the public	2 603 391	–	–	2 603 391

### 36. FINANCIAL RISK MANAGEMENT (continued)

#### 36.4 Credit risk management

The Group's credit risk arises from potential concentrations of risk mainly in cash and cash equivalents, trade receivables and hedging instruments. The Group limits its counterparty exposures from its money market investment operations by conducting transactions with counterparties that satisfy soundly based and acceptable assessment processes. The minimum credit ratings for counterparties are Fitch National Long-term Rating 'A' and Fitch National Short-term Rating 'F1'. The Group credit exposure is diversified across a range of acceptable counterparties and the maximum investment with any one counterparty is limited to 25% of total investments. All investments are made with counterparties on the approved counterparty list and within limits as revised from time to time by ALCO in line with balance sheet growth and at least once on an annual basis.

The Group's credit risk is managed by the ALCO within limits approved by the Board. The credit exposure to any one counterparty is managed by monitoring transaction as well as setting exposure limits in terms of the formalised Treasury Policy.

Trade receivables comprise a large number of customers, dispersed across different industries and geographical areas. Credit evaluations are performed on the financial condition of these debtors. Where appropriate, the necessary credit guarantees are arranged. Trade and other receivables are shown net of impairment.

The Group is exposed to credit-related losses in the event of non-performance by counterparties. The Group continually monitors its positions and the credit ratings of its counterparties and limits the extent to which it enters into transactions with any one party.

At 31 March 2007 the Group did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for. The amount in the balance sheet is the maximum exposure to credit risk.

The credit exposures by geographical region for trade debtors are summarised as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
South Africa	98,0	97,5	98,0	97,4
Other	2,0	2,5	2,0	2,6
Total	100,0	100,0	100,0	100,0

#### 36.5 Fair value of financial instruments

In the opinion of the directors the book value of financial instruments approximate their fair value. Long-term liabilities relating to Postbank deposits are matched by long-term investments as per the Group's ALCO policy.

The following methods and assumptions were used by the Group in establishing fair values:

##### *Financial instruments not traded in an active market*

At 31 March 2007 the carrying amounts of cash and short-term deposits, accounts receivable, investments, accounts payable and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair value of other financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various methods and makes assumptions that are based on market conditions existing at each balance sheet date.

##### *Financial instruments traded in an active market*

Financial instruments traded in an organised financial market are measured at the current quoted market price, adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	<b>Company</b>	
	<b>2007</b>	2006
	<b>R'000</b>	R'000
<b>37. CELL CAPTIVE</b>		
As part of the self-insurance process, the Group has established a Cell Captive through Centriq Insurance Innovation (previously Nova Risk) and the contingency fund that was with Santam Insurance has been transferred to the Cell Captive. In the event that the capacity of the policy does not cover the forecasted claims exposure premiums will be paid to match the exposure which is inclusive of the solvency requirements.		
<b>38. RELATED-PARTY TRANSACTIONS</b>		
<b>38.1 Current payable</b>		
Amount owing to shareholder	<b>139 074</b>	124 604
This loan bears interest at 12,0% (2006: 10,5%) in terms of the Public Finance Management Act.		
<b>38.2 Project specific subsidy received and related balances</b>		
The government provided the Company with a subsidy to cover a portion of its operating expenditure and to fund specific projects. The balances and transactions can be summarised as follows:		
Subsidy balance – beginning of year	<b>131 169</b>	98 907
Subsidy received	<b>351 439</b>	300 000
Subsidy acknowledged	<b>(263 171)</b>	(267 738)
Subsidy balance – end of year	<b>219 437</b>	131 169
<b>38.3 Public information terminals and Citizen Post Office subsidy</b>		
The Department of Communication provides the Company with a subsidy specifically for the public information terminals and citizens post offices		
Subsidy balance – beginning of year	<b>8 698</b>	8 956
Subsidy received/interest accrued	<b>738</b>	–
Subsidy acknowledged	<b>–</b>	(258)
Subsidy balance – end of year	<b>9 436</b>	8 698
<b>38.4 Pension funds</b>		
Transactions relating to pension funds are disclosed in note 33.		

	Group				Company			
	2007	Balance out-standing	2006	Balance out-standing	2007	Balance out-standing	2006	Balance out-standing
	Purchases R'000	R'000	Purchases R'000	R'000	Purchases R'000	R'000	Purchases R'000	R'000
<b>38. RELATED-PARTY TRANSACTIONS (continued)</b>								
<b>38.5 Purchases from related parties</b>								
<i>Constitutional institutions</i>								
The Independent Communications Authority of South Africa	1	-	6	-	1	-	6	-
<i>Major public entities</i>								
Airports Company South Africa Ltd	18 652	(19)	18 428	47	18 611	(19)	18 393	47
Alexkor Ltd	32	-	30	-	32	-	30	-
Bonaero Park (Pty) Ltd	39	-	38	-	39	-	38	-
Denel Ltd	331	17	75	17	323	-	-	-
Eskom Holdings Ltd	3 808	72	4 318	313	936	-	748	-
Arivia.kom (Pty) Ltd	1 626	-	61	-	1 626	-	57	-
South African Broadcasting Corporation Ltd	9 459	1 338	12 139	110	120	-	22	-
Telkom SA Ltd	70 970	2 084	2 084	4 544	70 970	2 084	69 566	4 544
Telkom Directory Services (Pty) Ltd	2 314	16	1 114	54	512	141	218	-
Vodacom Service Provider Company (Pty) Ltd	167 787	23 353	128 794	30 659	55 776	7 022	33 520	5 166
Transnet Ltd	198	58	97	6	198	59	84	7
Viamax Fleet Management (Pty) Ltd	3 039	817	15 230	43	-	-	2	-
South African Airways (Pty) Ltd	76 592	7 535	90 548	27	76 295	7 512	90 175	-
<i>Other national public entities</i>								
Compensation Fund	109	41	-	-	109	41	-	-
Financial Services Board	4	-	-	-	4	-	-	-
National Productivity Institute	-	-	254	46	-	-	254	46
Performing Arts Centre of the Free State	-	-	58	-	-	-	58	-
Robben Island Museum	4	-	4	-	4	-	4	-
SA Quality Institute	8	-	43	17	8	-	43	17
Small Business Development Agency	140	-	-	-	140	-	-	-
<i>National government business enterprises</i>								
Council for Scientific and Industrial Research	18	-	1	-	18	-	1	-
Public Investment Corporation Ltd	-	-	-	-	-	-	-	-
Sentech	172	172	438	-	172	172	438	-
South African Bureau of Standards	28	-	2	-	28	-	-	-
<i>National Departments</i>								
Department of Communications	23 221	-	15 477	7 477	23 221	-	15 477	7 477
Department of Health	-	-	1	-	-	-	1	-
Department of Housing	18	-	18	14	18	-	18	14
Department of Labour	-	30	-	(15)	-	30	-	(15)
Department of Land Affairs	0	-	0	(0)	0	-	0	(0)
Department of Public Works	15	6	12	2	15	6	12	2
South African Revenue Service	-	1	1	1	-	-	-	-
<i>Subsidiaries</i>								
The Document Exchange (Pty) Ltd	-	-	-	-	-	-	-	-
The Courier and Freight Group (Pty) Ltd	-	-	-	-	18 930	23 314	5 122	7 764
	<b>378 584</b>	<b>35 521</b>	<b>356 753</b>	<b>43 362</b>	<b>268 105</b>	<b>40 362</b>	<b>234 287</b>	<b>25 069</b>

Refer to note 10 for the impairment of the CFG receivables (Group receivables)

\* Purchase include operations and finance lease rental, and value added tax.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Group				Company			
	2007	2007	2006	2006	2007	2007	2006	2006
	Purchases	Balance	Purchases	Balance	Purchases	Balance	Purchases	Balance
	R'000	out-	R'000	out-	R'000	out-	R'000	out-
		standing		standing		standing		standing
		R'000		R'000		R'000		R'000
<b>38. RELATED-PARTY TRANSACTIONS (continued)</b>								
<b>38.6 Sales to related parties</b>								
<i>Major public entities</i>								
Airports Company South Africa Ltd	60	1 523	50	1 522	48	1 522	38	1 522
Armaments Corporation of South Africa	108	–	2	–	108	–	2	–
Central Energy Fund (Pty) Ltd	56	4	41	–	56	4	41	–
Oil Pollution Control South Africa (Pty) Ltd	6	1	9	–	6	1	9	–
Petroleum Agency SA (Pty) Ltd	2	–	2	–	2	–	2	–
SFF Association	4	–	5	–	4	–	5	–
Denel Ltd	59	1	86	1	59	1	86	1
Specialised Protein Products (Pty) Ltd	8	–	8	–	–	–	–	–
Development Bank of South Africa	53	9	60	8	44	–	52	–
Eskom Holdings Ltd	11 736	635	14 197	868	9 722	403	12 803	355
Eskom Finance Company (Pty) Ltd	18	14	50	19	–	–	–	–
Arivia.kom (Pty) Ltd	50	(2)	50	14	50	(2)	50	(3)
Land and Agricultural Bank of South Africa	154	–	231	(13)	154	–	226	(14)
Safcol	36	4	46	24	36	4	46	24
South African Broadcasting Corporation Ltd	20 374	(83)	18 478	152	20 373	(90)	18 474	146
South African Forestry Company Ltd	(7)	–	9	7	–	–	–	–
Komatiland Forests (Pty) Ltd	82	6	89	15	42	–	35	–
Industrial Development Corporation of South Africa Ltd								
Foskor (Pty) Ltd	122	4	112	2	68	–	67	–
Telkom SA Ltd	67 552	4 417	65 768	6 997	66 912	4 306	65 196	6 605
Telkom Directory Services (Pty) Ltd	1 438	63	1 708	12	1 438	63	1 708	12
Vodacom Service Provider Company (Pty) Ltd	25 296	582	25 389	2 286	25 296	582	25 389	2 286
Transnet Ltd	25 185	4 513	19 535	7 237	833	28	456	24
Protekon (Pty) Ltd	–	–	21	–	–	–	–	–
South African Airways (Pty) Ltd	149	15	163	15	135	–	150	2
South African Express Airways (Pty) Ltd	8	–	2	–	8	–	2	–
Viamax Fleet Solutions (Pty) Ltd	175	37	113	23	44	8	39	7
<i>Other national public entities</i>								
Africa Institute of South Africa	86	–	–	–	86	–	–	–
Agricultural Research Council	422	–	453	–	422	–	453	–
Artscape	30	–	47	–	30	–	47	–
Asset Forfeiture Unit	78	36	64	29	1	–	–	–
Banking Sector Education and Training Authority	4	(2)	8	–	4	(2)	8	–
Clothing, Textiles, Footwear and Leather Seta	9	–	6	–	9	–	6	–
Commission for Conciliation, Mediation and Arbitration	1 874	168	1 650	–	1 682	–	1 501	–
Compensation Fund	50	5	–	–	50	5	–	–
Competition Commission	57	3	8	–	–	–	–	–
Construction Industry Development Board	231	–	21	–	231	–	21	–
Council for Geoscience	126	–	95	2	125	–	82	–
Balance carried forward	155 692	11 953	148 579	19 220	128 078	6 833	126 994	10 967

	Group				Company			
	2007	Balance out-standing	2006	Balance out-standing	2007	Balance out-standing	2006	Balance out-standing
	Purchases R'000	R'000	Purchases R'000	R'000	Purchases R'000	R'000	Purchases R'000	R'000
<b>38. RELATED-PARTY TRANSACTIONS (continued)</b>								
<b>38.6 Sales to related parties (continued)</b>								
Balance brought forward	<b>155 692</b>	<b>11 953</b>	148 579	19 220	<b>128 078</b>	<b>6 833</b>	126 994	10 967
<i>Other national public entities (continued)</i>								
Council for Medical Schemes	<b>21</b>	–	57	–	<b>21</b>	–	57	–
Cross-border Road Transport Agency	<b>42</b>	–	43	–	<b>42</b>	–	43	–
Education and Labour Relations Council	<b>5</b>	–	6	–	<b>5</b>	–	6	–
Education, Training and Development Practices Seta	<b>10</b>	–	21	–	<b>10</b>	–	21	–
Estate Agency Affairs Board	<b>551</b>	–	530	–	<b>551</b>	–	530	–
Film and Publication Board	<b>245</b>	<b>84</b>	54	1	<b>245</b>	<b>84</b>	54	1
Financial and Accounting Services Training Authority	<b>10</b>	–	49	–	<b>10</b>	–	49	–
Financial Services Board	<b>303</b>	–	281	–	<b>303</b>	–	281	–
Freedom Park Trust	<b>10</b>	<b>24</b>	10	24	–	–	–	–
Health and Welfare Sector Education and Training Authority	<b>31</b>	–	–	–	<b>31</b>	–	–	–
Human Science Research Council	<b>174</b>	–	419	16	<b>174</b>	–	419	16
Independent Regulatory Board for Auditors	<b>57</b>	–	50	–	<b>57</b>	–	50	–
Iziko Museums of Cape Town	<b>26</b>	–	45	(1)	<b>26</b>	–	45	(1)
Legal Aid Board	<b>863</b>	<b>419</b>	747	387	<b>86</b>	<b>(33)</b>	137	(33)
Manufacturing, Engineering and Related Services Seta	<b>74</b>	–	78	–	<b>74</b>	–	78	–
Media, Advertising, Publishing, Printing and Packaging Seta	<b>21</b>	–	73	–	<b>21</b>	–	73	–
Mining Qualifications Authority	<b>21</b>	<b>1</b>	0	1	<b>21</b>	–	–	–
Natal Museum	<b>50</b>	–	–	–	<b>50</b>	–	–	–
National Arts Council	<b>16</b>	–	16	–	<b>16</b>	–	16	–
National Economic, Development and Labour Council	–	<b>(2)</b>	–	(2)	–	<b>(2)</b>	–	(2)
National Electricity Regulator	<b>19</b>	–	6	–	<b>19</b>	–	6	–
National Health Laboratory Service	<b>343</b>	–	416	–	<b>343</b>	–	416	–
National Home Builders Registration Council	<b>162</b>	<b>28</b>	238	15	<b>162</b>	<b>28</b>	238	15
National Museum	<b>41</b>	–	31	–	<b>41</b>	–	31	–
National Productivity Institute	<b>13</b>	<b>3</b>	15	1	<b>13</b>	<b>3</b>	15	1
National Research Foundation	<b>104</b>	–	125	(2)	<b>104</b>	–	125	(2)
National Student Financial Aid Scheme	<b>2 639</b>	<b>98</b>	2 656	252	<b>2 639</b>	<b>98</b>	2 656	252
National Youth Commission	<b>4</b>	–	11	–	<b>4</b>	–	11	–
National Zoological Gardens of South Africa	<b>6</b>	–	8	–	<b>6</b>	–	8	–
Nelson Mandela Museum	<b>2</b>	–	–	–	<b>2</b>	–	–	–
Performing Arts Council of the Free State	<b>4</b>	–	4	–	<b>4</b>	–	4	–
Perishable Products Export Control Board	<b>6</b>	<b>1</b>	7	1	<b>6</b>	<b>1</b>	7	1
Police, Private Security, Legal, and Correctional Services Seta	<b>42</b>	–	42	–	<b>42</b>	–	42	–
Road Accident Fund	<b>685</b>	<b>19</b>	554	9	<b>444</b>	<b>(3)</b>	488	(6)
Robben Island Museum	<b>16</b>	–	10	–	<b>16</b>	–	10	–
Services Sector Education and Training Authority	<b>37</b>	–	(1 181)	–	<b>37</b>	–	(1 181)	–
South African Blind Workers Organisation	<b>33</b>	–	47	–	<b>33</b>	–	47	–
Balance carried forward	<b>162 378</b>	<b>12 629</b>	154 047	19 922	<b>133 736</b>	<b>7 009</b>	131 775	11 209

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Group				Company			
	2007 Purchases R'000	Balance out- standing R'000	2006 Purchases R'000	Balance out- standing R'000	2007 Purchases R'000	Balance out- standing R'000	2006 Purchases R'000	Balance out- standing R'000
<b>38. RELATED-PARTY TRANSACTIONS (continued)</b>								
<b>38.6 Sales to related parties (continued)</b>								
Balance brought forward	<b>162 378</b>	<b>12 629</b>	154 047	19 922	<b>133 736</b>	<b>7 009</b>	131 775	11 209
<i>Other national public entities (continued)</i>								
South African Civil Aviation Authority	<b>153</b>	–	180	–	<b>153</b>	–	180	–
South African Council for Educators	<b>89</b>	<b>5</b>	74	7	<b>89</b>	<b>5</b>	74	7
South African Diamond Board	<b>9</b>	–	6	–	<b>9</b>	–	6	–
South African Heritage Resources Agency	<b>19</b>	–	26	–	<b>19</b>	–	26	–
South African Library for the Blind	<b>31</b>	–	8	–	<b>31</b>	–	8	–
South African Local Government Association	<b>12</b>	<b>3</b>	18	–	<b>12</b>	<b>3</b>	18	–
South African Maritime Safety Authority	<b>36</b>	–	32	–	<b>36</b>	–	32	–
South African Medical Research Council	<b>279</b>	–	156	–	<b>279</b>	–	156	–
South African National Biodiversity Institute	<b>187</b>	–	101	–	<b>187</b>	–	101	–
South African National Roads Agency	<b>22</b>	–	24	–	<b>22</b>	–	24	–
South African National Parks Board	<b>174</b>	–	233	–	<b>174</b>	–	233	–
South African Qualifications Authority	<b>29</b>	–	16	0	<b>26</b>	–	16	–
South African Quality Institute	<b>9</b>	<b>1</b>	26	5	<b>9</b>	<b>1</b>	26	5
South African Reserve Bank	<b>608</b>	–	687	32	<b>608</b>	–	687	32
SA Mint Company (Pty) Ltd	<b>8</b>	<b>(3)</b>	16	(3)	<b>8</b>	<b>(3)</b>	16	(3)
South African Tourism Board	–	–	7	–	–	–	7	–
South African Weather Service	<b>639</b>	<b>20</b>	322	48	<b>54</b>	–	66	–
Special Investigating Unit	<b>112</b>	<b>5</b>	66	5	–	–	–	–
State Information Technology Agency	<b>430</b>	<b>51</b>	327	32	<b>430</b>	<b>51</b>	326	32
State Theatre, Pretoria	<b>8</b>	–	15	–	<b>8</b>	–	15	–
The Playhouse Company, Durban	<b>26</b>	–	16	–	<b>26</b>	–	16	–
Transport Education and Training Authority	<b>2</b>	–	51	–	–	–	–	–
Unemployment Insurance Fund	<b>2 683</b>	<b>41</b>	486	14	<b>2 280</b>	–	333	–
Universal Service Agency	<b>18</b>	<b>8</b>	73	6	<b>18</b>	<b>8</b>	73	6
Water Research Commission	<b>146</b>	–	133	–	<b>146</b>	–	133	–
Wholesale and Retail Services Education Training Authority	<b>283</b>	<b>99</b>	293	37	<b>283</b>	<b>99</b>	293	37
<i>National government business enterprises</i>								
Amatola Water Board	<b>17</b>	–	12	–	<b>17</b>	–	12	–
Aventura	–	–	–	(1)	–	–	–	(1)
Botshelo Water	<b>18</b>	<b>(1)</b>	29	19	–	–	–	–
Council for Mineral Technology	<b>62</b>	–	62	–	<b>62</b>	–	62	–
Council for Scientific and Industrial Research	–	–	18	1	–	–	–	–
Lepelle Northern Water	<b>69</b>	<b>8</b>	49	2	<b>29</b>	–	28	(1)
Mhlathuze Water	<b>7</b>	<b>2</b>	4	1	<b>7</b>	<b>2</b>	4	1
Musuku Benefication Systems (Pty) Ltd	<b>9</b>	–	36	–	<b>9</b>	–	8	–
Onderstepoort Biological Products	<b>659</b>	<b>37</b>	557	60	<b>659</b>	<b>37</b>	557	60
Rand Water	<b>146</b>	–	83	–	<b>146</b>	–	83	–
Sedibeng Water	<b>14</b>	<b>6</b>	50	4	<b>12</b>	–	46	–
Balance carried forward	<b>169 391</b>	<b>12 911</b>	158 337	20 193	<b>139 584</b>	<b>7 212</b>	135 441	11 383

\* Sales include operating and finance lease rentals and value added taxation.

	Group				Company			
	2007		2006		2007		2006	
	Purchases R'000	Balance out- standing R'000	Purchases R'000	Balance out- standing R'000	Purchases R'000	Balance out- standing R'000	Purchases R'000	Balance out- standing R'000
<b>38. RELATED-PARTY TRANSACTIONS</b>								
<b>(continued)</b>								
<b>38.6 Sales to related parties</b>								
<b>(continued)</b>								
Balance brought forward	169 391	12 911	158 337	20 193	139 584	7 212	135 441	11 383
<i>National government business enterprises (continued)</i>								
Sentech	61	1	61	7	46	–	42	–
Vivid Multimedia (Pty) Ltd	–	(4)	–	(4)	–	(4)	–	(4)
South African Bureau of Standards	1 289	–	1 084	–	1 289	–	1 084	–
South African Special Risk Insurance Association	1	–	–	–	1	–	–	–
South African Rail Commuter Corporation Ltd	2	–	2	–	2	–	2	–
Umgeni Water	31	–	31	–	31	–	31	–
Umsobomvu Youth Fund	45	(4)	49	(19)	45	(4)	49	(19)
<i>Constitutional entities</i>								
The Commission on Gender Equality	–	–	1	–	–	–	1	–
The Financial and Fiscal Commission	77	1	74	11	77	1	74	11
The Human Rights Commission	17	–	4	–	17	–	4	–
The Independent Communications Authority of South Africa	312	–	228	–	312	–	228	–
The Independent Electoral Commission	13	–	50	–	13	–	50	–
The Municipal Demarcation Board	12	–	19	–	12	–	19	–
The Pan South African Language Board	5	–	24	–	5	–	24	–
The Public Protector	114	19	167	13	97	3	148	2
<i>National departments</i>								
Department of Agriculture	1 679	15	1 649	32	1 470	1	1 433	(1)
Department of Arts and Culture	245	–	136	–	245	–	136	–
Department of Communications	4 424	505	3 300	479	13	5	103	11
Department of Correctional Services	1 809	(3)	1 946	15	1 809	(3)	1 946	15
Department of Defence	41	6	38	9	–	–	13	–
Department of Education	9 046	1 075	8 286	1 557	4 029	(9)	2 662	24
Department of Environmental Affairs and Tourism	648	134	322	63	591	106	347	41
Department of Foreign Affairs	631	106	715	13	86	(7)	186	(1)
Department of Health	6 132	251	5 606	267	5 861	233	5 276	196
Department of Home Affairs	4 382	288	5 717	450	3 349	34	3 978	88
Department of Housing	1 275	360	1 185	43	1 256	355	1 114	35
Department of Justice and Constitutional Development	2 031	157	1 790	222	1 724	42	1 608	34
Department of Labour	3 008	823	2 992	246	2 970	815	2 900	208
Department of Land Affairs	754	62	564	61	575	6	443	13
Department of Minerals and Energy	578	105	539	15	475	105	488	15
Department of Public Enterprise	65	29	34	9	65	29	34	9
Department of Public Service and Administration	–	3	6	10	–	(4)	2	1
Department of Public Works	3 528	366	2 162	686	3 411	360	2 048	649
Department of Science and Technology	24	6	40	2	–	–	–	–
Department of Social Development	492	75	558	75	471	75	545	75
Department of Sport and Recreation	43	12	153	35	5	–	71	–
Balance carried forward	212 205	17 299	197 869	24 489	169 936	9 351	162 530	12 785

\* Sales include operating and finance lease rentals and value added taxation.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Group				Company			
	2007 Purchases R'000	Balance out- standing R'000	2006 Purchases R'000	Balance out- standing R'000	2007 Purchases R'000	Balance out- standing R'000	2006 Purchases R'000	Balance out- standing R'000
<b>38. RELATED-PARTY TRANSACTIONS (continued)</b>								
<b>38.6 Sales to related parties (continued)</b>								
Balance brought forward	212 205	17 299	197 869	24 489	169 936	9 351	162 530	12 785
<i>National departments (continued)</i>								
Department of Trade and Industry	3 715	287	857	309	1 339	287	580	72
Department of Transport	4 048	18	3 805	(1)	4 048	18	3 805	(1)
Department of Water Affairs and Forestry	1 871	(22)	3 002	177	1 697	(101)	2 858	124
Government Communications and Information Systems	6 631	132	628	(42)	6 631	132	628	(42)
Independent Complaints Directorate	68	17	51	16	48	4	44	9
National Intelligence Agency	189	5	155	9	189	5	155	9
National Treasury	2 697	144	2 195	(611)	2 403	–	1 990	(683)
Public Service Commission	30	0	9	–	–	–	–	–
Secretariat for Safety and Security	66	9	17	3	–	–	–	–
Small Enterprise Development Agency	63	4	4	(0)	52	–	–	–
South African Local Government Association	18	6	–	–	18	6	–	–
South African Police Services	8 875	237	7 183	271	6 456	117	6 073	72
South African Revenue Service	28 105	1 209	28 724	925	26 981	832	28 449	796
South African Social Security Agency	335	(0)	110	(4)	335	(0)	110	(4)
South African Secret Service	4	–	1	–	4	–	1	–
Statistics South Africa	1 640	153	1 928	614	1 504	121	1 619	163
The Presidency	45	96	24	96	45	85	16	83
<i>Provincial public entities</i>								
<i>Eastern Cape</i>								
Eastern Cape Liquor Board	15	–	3	–	15	–	3	–
<i>Free State</i>								
Free State Youth Commission	20	8	3	1	20	8	3	1
<i>Gauteng</i>								
Gauteng Tourism Authority	7	–	5	–	7	–	5	–
<i>KwaZulu-Natal</i>								
KwaZulu-Natal Gambling Board	2	–	2	–	2	–	2	–
KwaZulu-Natal Tourism Authority	62	(4)	63	(5)	62	(4)	63	(5)
Natal Sharks Board	–	–	–	–	–	–	–	–
<i>Mpumalanga</i>								
Mpumalanga Gaming Board	2	–	2	–	2	–	2	–
Mpumalanga Parks Board	9	–	4	–	9	–	4	–
Mpumalanga Tourism Authority	7	–	10	–	7	–	10	–
<i>Northern Province</i>								
Limpopo Tourism and Parks Board	11	6	11	4	11	6	11	4
<i>North West</i>								
North West Parks and Tourism Board	4	–	–	–	4	–	–	–
<i>Western Cape</i>								
Western Cape Gambling and Racing Board	10	–	7	–	10	–	7	–
Western Cape Nature Conservation Board	2	–	2	–	2	–	2	–
<i>Provincial government business enterprises</i>								
Eastern Cape Development Corporation	87	–	75	–	87	–	75	–
Ithala Development Finance Corporation	371	17	317	28	371	17	317	28
<i>Subsidiaries</i>								
The Courier and Freight Group (Pty) Ltd	–	–	–	–	9 180	21 419	16 402	20 648
The Document Exchange (Pty) Ltd	–	–	–	–	3 999	434	2 426	352
	<b>263 381</b>	<b>19 297</b>	242 223	25 933	<b>230 084</b>	<b>32 431</b>	223 733	34 341

\* Sales include operating and finance lease rentals and value added taxation.

	2007				2006			
	Funds received on behalf of third party R'000	Commission received R'000	Balance owed to the third party R'000	Balance owed by the third party R'000	Funds received on behalf of third party R'000	Commission received R'000	Balance owed to the third party R'000	Balance owed by the third party R'000
<b>38. RELATED-PARTY TRANSACTIONS (continued)</b>								
<b>38.7 Third-party transactions – Group and Company</b>								
<i>Major public entities</i>								
Eskom Holdings Ltd	649 664	6 425	3 773	64	570 446	5 525	3 119	25
South African Broadcasting Corporation Ltd	274 978	12 138	3 276	129	276 317	13 049	1 984	73
Telkom SA Ltd	6 623 217	73 747	28 496	1 699	7 430 963	97 344	38 262	1 387
Land and Agricultural Bank of South Africa	81 578	79 557	31	–	–	–	–	–
<i>National government business enterprises</i>								
Umgeni Water	1 070	22	9	–	941	27	3	–
<i>Constitutional institutions</i>								
The Independent Communications Authority of South Africa	10 124	219	11	1	11 125	216	12	–
<i>National departments</i>								
Department of Environmental Affairs and Tourism	19 834	3 710	119	23	14 480	3 303	74	13
Department of Housing	6 547	213	49	2	8 682	268	29	1
Department of Water Affairs and Forestry	3 030	46	88	–	3 496	47	30	–
National Treasury	135 877	73	575	–	373 299	135	285	–
South African Revenue Service	117 730	3 103	6 287	50	61 909	3 244	702	–
<i>Provincial government business enterprises</i>								
Eastern Cape Development Corporation	248	1	–	–	–	–	–	–
<i>Other</i>								
Uthingo Management (Pty) Ltd	(111 679)	10 956	(2 702)	171	117 056	10 274	4 003	238
	<b>7 812 218</b>	<b>190 210</b>	<b>40 012</b>	<b>2 139</b>	<b>8 868 714</b>	<b>133 432</b>	<b>48 503</b>	<b>1 737</b>

	2007				2006			
	Funds paid out on behalf of third party R'000	Commission received R'000	Balance owed to the third party R'000	Balance owed by the third party R'000	Funds paid out on behalf of third party R'000	Commission received R'000	Balance owed to the third party R'000	Balance owed by the third party R'000
<b>38.8 Pension payments – Group and Company</b>								
<i>Major public entities</i>								
Transnet Ltd	–	–	–	–	–	24	–	–
<i>National Departments</i>								
Department of Social Development	3 313 381	117 829	3 082	25 035	2 643 129	117 960	53 446	–
National Treasury	112 271	2 096	761	–	112 571	2 542	5 839	–
	<b>3 425 652</b>	<b>119 925</b>	<b>3 843</b>	<b>25 035</b>	<b>2 755 700</b>	<b>120 526</b>	<b>59 285</b>	<b>–</b>

\* Transactions include value added tax.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

Position	Fees	Salary	Expense	Bonus	Other	<b>Total</b>	Total
	R'000	R'000	allowance R'000	R'000	benefits R'000	<b>2007</b> R'000	2006 R'000
<b>38. RELATED-PARTY TRANSACTIONS (continued)</b>							
<b>38.9 Key management personnel compensation</b>							
V Mahlali	Chairperson	–	–	–	–	–	– <sup>5</sup>
Ms PRE Tsukudu	Chairperson	60	420	52	–	–	– <sup>1</sup>
Ms BM Mokone	Chairperson	5	–	–	–	–	5
Mr KI Mampeule	Executive Director	–	2 179	74	810	–	3 063
Mr NJD Buick	Executive Director	–	1 601	30	501	–	2 132
Ms MM Lefoka	Executive Director	–	1 395	30	392	–	1 817
Mr VA Christian	Non-executive Director	109	–	8	–	–	117
Prof MJ Crous	Non-executive Director	62	–	19	–	–	81
Mr P Dzingwe	Non-executive Director	75	–	49	–	–	124
AJ Hendriks	Non-executive Director	90	–	6	–	–	96
Ms J Lange	Non-executive Director	45	–	15	–	–	60
SMA Malebo	Non-executive Director	115	–	66	–	–	181
V Mhlongo	Non-executive Director	81	–	1	–	–	82
PE Pokane	Non-executive Director	87	–	6	–	–	93
Mr BMH Tsita	Non-executive Director	98	–	9	–	–	107
V Mahlali	Non-executive Director	71	–	4	–	–	75
Ms PRE Tsukudu	Non-executive Director	–	–	–	–	–	82 <sup>1</sup>
Mr TJ Dikgole	Non-executive Director	–	–	–	–	–	–
Adv N Jele	Non-executive Director	–	–	–	–	–	–
<b>2007</b>		898	5 595	369	1 703	–	8 565
2006		925	4 561	133	562	3	6 184

<sup>1</sup> Retired 31 March 2007

<sup>2</sup> Retired 31 December 2005

<sup>3</sup> Retired 20 November 2006

<sup>4</sup> Retired 31 December 2006

<sup>5</sup> Retired as non-executive director 31 March 2007 appointed as Chairperson 1 April 2007

<sup>6</sup> Retired 21 May 2007

## Directors of companies controlled by the South African Post Office

Position	Fees	Salary	Expense	Bonus	Other	<b>Total</b>	Total
	R'000	R'000	allowance R'000	R'000	benefits R'000	<b>2007</b> R'000	2006 R'000
M Mathibe	MD: Courier and Freight Group	–	1 255	48	180	–	1 483

(KI Mampeule, NJD Buick and MM Lefoka are also directors of the Courier and Freight Group).

### 38. RELATED-PARTY TRANSACTIONS (continued)

#### 38.9 Key management personnel compensation

The following emoluments were paid to executives reporting directly to the Chief Executive Officer and other key management personnel during the year:

		Salary	Expense	Bonus	Other	Leave	Severance	Total	Total
	Position	R'000	allowance	R'000	compensation	pay	and	2007	2006
		R'000	R'000	R'000	R'000	R'000	notice	R'000	R'000
							pay		
H Choonara	GE: Human Resources	973	30	140	–	–	–	1 143	– <sup>7</sup>
GD Hollyman	GE: Internal Audit	822	28	20	–	–	–	870	– <sup>8</sup>
JS Kotsi	Executive: Mail Business	1 060	30	253	–	–	–	1 343	218
M Lancaster	Acting GE: Strategy	810	30	283	–	–	–	1 123	–
GO Mabote	MD: Retail	–	–	–	–	–	–	–	1 153
NH Madzunya	Chief Information Officer	195	5	–	–	67	273	540	1 183 <sup>1</sup>
NM Maelane	GE: Supply Chain	–	–	–	–	–	–	–	–
	Management	1 063	30	136	–	–	–	1 229	465
SLB Mapisa	SGM: Investigation Services	–	–	–	–	–	–	–	1 066
H Mashele	Customer Relationship Officer	188	5	–	–	20	194	408	247 <sup>4</sup>
IF Matabane	GE: Transformation	–	–	–	–	–	–	–	976
AJ McKeown	SGM: Retail	378	11	185	–	71	–	645	– <sup>11</sup>
TBJ Memela-									
Khambule	MD: Postbank	1 108	30	–	–	–	–	1 138	233
PP Mgyue	GM: Supply	–	–	–	–	–	–	–	575
	Chain Management	–	–	–	–	–	–	–	–
TRJ Mkhize	Customer Relationship Officer	580	14	–	769	–	–	1 363	532 <sup>5</sup>
NA Mnisi	Acting SGM: Retail	818	30	228	–	–	–	1 076	– <sup>10</sup>
M Molosiwa	GE: Strategy and Marketing	783	21	–	–	33	–	837	240 <sup>6</sup>
DR Motsepe	MD: Postbank	–	–	–	–	–	–	–	836
IM Mtshali	Executive: Sales and	–	–	–	–	–	–	–	657
	Customer Services	–	–	–	–	–	–	–	–
P Ngomane	GM: Security and	–	–	–	–	–	–	–	–
	Investigation Services	207	10	–	–	–	–	217	– <sup>3</sup>
ST Nkese	GE: Human Resources	–	–	–	–	–	–	–	1 012
DC Nyamazane	MD: Sapos Properties	778	30	199	–	–	–	1 007	118
CMM Nzo	MD: International Business	–	–	–	–	–	–	–	569 <sup>12</sup>
LK Plaistowe	GE: Shared Services/	–	–	–	–	–	–	–	–
	Chief Risk Officer	1 253	30	319	–	–	–	1 602	1 263
N Singh	GE: Internal Audit	–	–	–	–	–	–	–	911
TT Tlhacoane	Executive: Legal Services	512	17	–	–	57	–	586	992 <sup>9</sup>
LA Tondi	MD: Sapos Properties	–	–	–	–	–	–	–	849
PRE Tsukudu	GE: Human Resources	–	–	–	–	–	–	–	237 <sup>13</sup>
L van der Bank	Chief Information Officer	186	5	–	–	–	–	191	– <sup>2</sup>
HP van Staden	Company Secretary	1 000	30	257	–	–	–	1 287	1 041
C Verster	MD: EBPP	842	30	232	18	–	–	1 122	997
TE Xiphu	GE: Corporate Services	1 043	30	–	–	–	–	1 073	1 232
<b>2007</b>		14 599	446	2 252	787	248	467	18 799	
<b>2006</b>		13 752	444	2 364	6	391	645		17 602

1 Retired 6 June 2006

2 Appointed 1 February 2007

3 Appointed 1 December 2006

4 Retired 31 May 2006

5 Reinstated 15 November 2006

6 Retired 15 December 2006

7 Appointed 1 April 2006

8 Appointed 1 May 2006

9 Retired 25 October 2006

10 Appointed 10 October 2006

11 Appointed 1 June 2006 – deceased 9 October 2006

12 Ceased reporting to the CEO on 30 September 2005

– retired 31 October 2006

13 Appointed 17 January 2006 – 29 March 2006 as

HR Executive (Contract)

# Notes to the annual financial statements (continued)

for the year ended 31 March 2007

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>38. RELATED-PARTY TRANSACTIONS (continued)</b>				
<b>38.9 Key management personnel compensation (continued)</b>				
Balances owing by key management personnel				
Travel and subsistence advances	91	81	91	81
Other including study debt, salary overpayments and guarantees	65	320	65	320
Total	156	401	156	401

## 39. NEW ACCOUNTING STANDARDS AND INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE (IFRIC) INTERPRETATIONS

The Group has early adopted the following new accounting standards and interpretations:

### IFRIC 4 – Determining whether an arrangement contains a lease

IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether:

- (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and
- (b) the arrangement conveys a right to use the asset.

The interpretation is effective for annual periods beginning on or after 1 January 2006. The early adoption of IFRIC 4 did not change the accounting of any of the Group's arrangements.

### IAS 21 – Amendment: The effects of changes in foreign exchange rate – net investment in a foreign operation

The amendments to IAS 21 identifies further monetary items that can form part of a parent's net investment in a foreign operation. The amendment to IAS 21 is that the net investment definition includes loans between fellow subsidiaries to allow intergroup items denominated in any currency to be part of a net investment in a foreign operation. Previously such loans had to be denominated in the functional currency of one party to the transaction. The amendment is effective for accounting periods beginning on or after 1 January 2006. There was no financial impact on the early adoption of the amendment.

The following accounting standards have been issued but are not yet effective. The statements will be implemented on effective date.

### IFRS 7 – Financial instruments: Disclosures

IFRS 7 replaces the requirements of two previous standards: IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, which is relevant for financial services, and IAS 32, Financial Instruments: Disclosure and Presentation, which applies to all entities. The effective date of IFRS 7 is for annual periods beginning on or after 1 January 2007. The standard deals with the disclosure of financial instruments, as well as the disclosure of the related quantitative and qualitative risks associated with financial instruments. This will result in additional disclosure.

### IFRS 7 (AC 144) Financial Instruments: Disclosures and amendments to IAS 1 (AC 101)

IFRS 7 (AC 144) supersedes IAS 30 (AC 120) Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements in:

IAS 32 (AC 125) Financial Instruments: Disclosure and Presentation. Such disclosure includes: the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements previously in IAS 32 (AC 125);

- qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe management's objectives, policies and processes for managing those risks; and
- the quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create.

IAS 1 (AC 101) Presentation of Financial Statements has also been revised and additional disclosure is required of the entity's objectives, policies and processes for managing capital, as well as other qualitative disclosures about capital maintenance.

Consequential amendments have been made to IFRS 4 (AC 141) Insurance Contracts. According to these amendments information of the nature and extent of the risks arising from insurance contracts has to be disclosed rather than the amount, timing and uncertainty of cash flows (from insurance contracts) as previously required.

### 39. NEW ACCOUNTING STANDARDS AND INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE (IFRIC) INTERPRETATIONS (continued)

Effective date: Periods commencing on or after 1 January 2007.

#### IFRS 8 (AC 145) Operating segments

IFRS 8 (AC 145) arises from the IASB's conversion of IAS 14 (AC 115) Segment Reporting with the US standard SFAS 131 Disclosures about Segments of an Enterprise and Related Information. IFRS 8 (AC 145) replaces IAS 14 (AC 115) and aligns segment reporting with the requirements of SFAS 131.

This IFRS requires an entity to adopt the 'management approach' when reporting on the financial performance of its operating segments. Generally, the segment reporting would be based on the information that management uses internally for evaluating segment performance and when deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. The IFRS therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet.

Effective date: Periods beginning on or after 1 January 2009.

#### IAS 1 – Amendment to capital disclosures

The amendments with regard to the capital disclosure are effective for annual periods beginning on or after 1 January 2007. There is no estimated financial impact on the Group. The amendment will result in additional disclosure in respect of capital.

#### IAS 19 – Amendment: Actuarial gains and losses, Group plans and disclosures

This amendment to IAS 19 Employee Benefits introduces an additional recognition option for actuarial gains and losses arising in post-employment defined benefit plans. The effective date for the amendment is for annual periods beginning on or after 1 January 2006. There is no estimated impact, as the Group has elected to recognise the actuarial gains and losses using the corridor approach and the Group does not foresee a change in accounting policy in this regard.

#### IAS 39 – Amendment: Cash flow hedge accounting for forecast intergroup transactions

The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that:

- (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and
- (b) the foreign currency risk will affect consolidated profit or loss.

This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements. The amendment is effective for annual periods beginning on or after 1 January 2006.

#### IAS 39 and IFRS 4 – Amendment: Financial guarantee contracts and credit insurance

This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of:

- (a) the unamortised balance of the related fees received and deferred; and
- (b) the expenditure required to settle the commitment at the balance sheet date.

Management considered this amendment and the estimated impact is unknown.

The following standards and interpretations are considered not to be relevant to the Group's operations and will therefore have no impact on the Group when they become effective:

#### IAS 23 (AC 114) Borrowing costs

This revised standard supersedes the existing IAS 23 (AC 114) which was revised in 1993. The revised IAS 23 (AC 114) states that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense. Therefore the accounting policy election to either capitalise or expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset no longer exists.

Effective date: Periods commencing on or after 1 January 2009.

#### IAS 39 – Amendment: The fair value option (effective 1 January 2006)

This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1 January 2006.

# Schedule 1 – Unlisted investments

at 31 March 2007

The following unlisted investments incorporated in South Africa are included in investments (refer to note 6):

Name	Nature of operation	Issued capital R	Effective holding		Investment	
			2007 %	2006 %	2007 R'000	2006 R'000
<b>SUBSIDIARY COMPANIES</b>						
<b>Directly held</b>						
The Document Exchange (Pty) Ltd	Letter and parcel delivery	1	<b>100</b>	100	–	–
Pensecure (Pty) Ltd	Pension payments	100	<b>100</b>	100	–	–
Sapos Properties (PE) (Pty) Ltd	Property letting	100	<b>100</b>	100	<b>1 521</b>	1 271
Investment					<b>1 670</b>	1 670
Impairment of investment					<b>(520)</b>	(418)
Loan					<b>371</b>	19
Sapos Properties (Rossburgh) (Pty) Ltd	Property letting	2	<b>100</b>	100	<b>3 950</b>	4 159
Investment					<b>3 800</b>	3 800
Impairment of investment					<b>(1 427)</b>	(894)
Loan					<b>1 577</b>	1 253
Sapos Properties (Erf 145018 Cape Town) (Pty) Ltd	Property letting	100	<b>100</b>	100	<b>3 554</b>	4 112
Investment					<b>4 085</b>	4 085
Impairment of investment					<b>(868)</b>	–
Loan					<b>337</b>	27
Sapos Properties (East Rand) (Pty) Ltd	Property letting	200	<b>100</b>	100	<b>12 824</b>	11 710
Investment					<b>11 195</b>	11 195
Loan					<b>1 629</b>	515
Sapos Properties (Bloemfontein) (Pty) Ltd	Property letting	100	<b>100</b>	100	<b>53</b>	123
Investment					<b>750</b>	750
Impairment of investment					<b>(750)</b>	(642)
Loan					<b>53</b>	15
Sapos Properties (Pty) Ltd	Dormant	1	<b>100</b>	100	–	–
Truebill (Pty) Ltd	Dormant	1	<b>100</b>	100	–	–
The Courier and Freight Group (Pty) Ltd	Parcel delivery	200 000	<b>100</b>	100	–	–
Investment					<b>1 053</b>	1 053
Impairment of investment					<b>(1 053)</b>	(1 053)
<b>Indirectly held</b>						
ACE Express Group (Pty) Ltd	Express Freight	100	<b>100</b>	100	–	–
ACE International (Pty) Ltd	International freight	5 000	<b>100</b>	100	–	–
Fancon (Pty) Ltd	Dormant	2 000	<b>100</b>	100	–	–
XPS Trucking (Pty) Ltd	Dormant	4 000	<b>100</b>	100	–	–
SA Bunker Services (Pty) Ltd	Dormant	1 100	<b>100</b>	100	–	–
The Courier and Freight Botswana (Pty) Ltd	International freight	162	<b>100</b>	100	–	–
The Courier and Freight Namibia (Pty) Ltd	International freight	4 000	<b>100</b>	100	–	–
The Courier and Freight Swaziland (Pty) Ltd	International freight	2	<b>100</b>	100	–	–
CFG Zimbabwe (Private) Ltd	International freight	3 012	<b>100</b>	100	–	–

Name	Issued capital R	Effective holding		Investment	
		2007 %	2006 %	2007 R'000	2006 R'000
<b>INVESTMENT</b>				<b>21 902</b>	21 375
Centriq Insurance Innovation	20 050 000	41	preference shares	<b>20 050</b>	20 050
				<b>41 952</b>	41 425
<b>Loan accounts – at cost less impairment</b>				<b>3 619</b>	3 339
The Courier and Freight Group (Pty) Ltd				–	–
Loan				<b>219 322</b>	219 322
Impairment of loan				<b>(219 322)</b>	(219 322)
The Document Exchange (Pty) Ltd				<b>3 619</b>	3 339
Loan				<b>3 619</b>	3 339
Impairment of loan				–	–
Pensecure (Pty) Ltd				–	–
Loan				<b>1 356</b>	1 356
Impairment of loan				<b>(1 356)</b>	(1 356)
Total investment and indebtedness				<b>45 571</b>	44 764
Directors' valuation of unlisted investments				<b>28 386</b>	26 248

# Group three-year review

for the year ended 31 March 2007

	2007	2006	2005
<b>INCOME STATEMENT (R'000)</b>			
Revenue	4 885 477	4 519 487	4 246 637
Profit for the year before taxation	506 566	714 860	943 671
Finance income	169 999	102 355	42 579
Finance cost	(94 188)	(75 494)	(78 137)
<b>BALANCE SHEET (R'000)</b>			
Funds supplied by:	6 867 419	5 666 575	4 850 023
Capital and reserves	1 233 119	873 943	425 918
Non-current liabilities	724 284	739 897	755 712
Current liabilities	4 910 016	4 052 735	3 668 393
Funds required by:	6 867 419	5 666 575	4 850 023
Non-current assets	1 599 723	1 685 310	1 512 653
Current assets	5 267 696	3 981 265	3 337 370
<b>CASH FLOW (R'000)</b>			
Net cash inflow from operating activities	792 178	248 830	8 752
Net increase in operating funds	306 609	272 326	231 135
Net cash outflow from investing activities	(159 652)	(126 493)	(210 424)
Net cash inflow from financing activities	351 799	292 275	1 044 650
<b>SOLVENCY AND LIQUIDITY</b>			
Debt-equity ratio	4,6 : 1	5,5 : 1	10,7 : 1
Current ratio	1,1 : 1	1 : 1	0,9 : 1
Acid test ratio	1,1 : 1	1 : 1	0,9 : 1

# High-level performance overview

## 1. FINANCIAL PERSPECTIVE

Strategy	Key performance indicator	Objectives	Targets	Result
Improve/maintain financial sustainability	Trading profit	Improve trading profit	<ul style="list-style-type: none"> <li>Budgeted trading profit: R354 million</li> </ul>	R474 million
		To achieve a 10% trading profit margin over the next three years	<ul style="list-style-type: none"> <li>9%</li> </ul>	8% achieved
Improve cash flow position	Liquidity	Ensure ability to settle obligations	<ul style="list-style-type: none"> <li>Current Ratio – 1:1,25</li> </ul>	1:1.09
Improve cost structure	Reduced cash expenses	To achieve 90% total cost structure to revenue. Reduce by 3% per annum	<ul style="list-style-type: none"> <li>91%</li> </ul>	91%
Improve balance sheet	Postbank depositors book	Grow Postbank depositors book	<ul style="list-style-type: none"> <li>Grow by 15%</li> </ul>	13% improvement
	ROA	Improve ROA against trading profit	<ul style="list-style-type: none"> <li>5%</li> </ul>	7% achieved
Revenue growth	(a) Share of market segment	Increase market share: <ul style="list-style-type: none"> <li>Financial services</li> </ul>	<ul style="list-style-type: none"> <li>Improve baseline by 3%</li> </ul>	<ul style="list-style-type: none"> <li>27% increase</li> </ul>

## 2. CUSTOMER PERSPECTIVE (WEIGHT 20%)

Strategy	Key performance indicator	Objectives	Targets	Result
Enhance brand image	Improve customer satisfaction results	Customer service improvement	Improve baseline by 5% per annum	8% increase
	Reduce customer complaints	Deliver value proposition for customers at the following touch points: <ul style="list-style-type: none"> <li>Post Office outlets</li> </ul>	Respond to customer complaints within 48 hours	Achieved
		<ul style="list-style-type: none"> <li>Call centre – Reduce total complaints</li> </ul>	<ul style="list-style-type: none"> <li>Reduce by 10%</li> </ul>	20% increase

## High-level performance overview (continued)

### 3. ACHIEVING OPERATIONAL EXCELLENCE (WEIGHT 20%)

Strategy	Key performance indicator	Objectives	Targets	Result
Reduce crime	Crime and fraud prevention	Reduce internal crime and fraud Reduce external/violent crime	<ul style="list-style-type: none"> <li>• 10% increase in reporting</li> <li>• 10% decrease in losses</li> <li>• 5% increase in reporting</li> <li>• 5% decrease in losses</li> </ul>	20% decrease 9% decrease 4% decrease 59% decrease
Support service	Internal customer satisfaction survey	To improve the internal levels of customer satisfaction	10% improvement on base	1% decrease
Shareholder satisfaction	Universal service obligations	<ul style="list-style-type: none"> <li>• Retail infrastructure rebalancing</li> </ul>	<ul style="list-style-type: none"> <li>• New outlets: – 59</li> <li>• Portables: – 20</li> <li>• Relocations/Upgrades: – 41</li> </ul>	47 20 48
		<ul style="list-style-type: none"> <li>• Address expansion</li> </ul>	<ul style="list-style-type: none"> <li>• 1 645 678 new addresses</li> </ul>	1 899 954
		<ul style="list-style-type: none"> <li>• Key service efficiencies</li> </ul>	<ul style="list-style-type: none"> <li>• ISQM – 96%</li> <li>• Mystery shopper queue lengths &lt; 7 min</li> </ul>	92,4% 8,5 min
BEE	Procurement	Increase procurement to black owned and managed businesses Total budgeted procurement	<ul style="list-style-type: none"> <li>• 2006/7 – 50%</li> </ul> R669 million	53% R353 million

**4. HIGH PERFORMANCE/LEARNING AND GROWTH PERSPECTIVE (WEIGHT 20%)**

Strategy	Key performance indicator	Objectives	Targets	Result
Investing in human capital	Investment value in training and development	Improvement in the skills of our employees	<ul style="list-style-type: none"> <li>Invest 2% of total staff expenses:</li> </ul>	1,63%
Employee retention and attraction	Entrance vs attrition rates	<ul style="list-style-type: none"> <li>Recruit and retain the best who can thrive living the brand and serve the targeted markets</li> </ul>	<ul style="list-style-type: none"> <li>Less than 4% attrition per annum</li> </ul>	3,5% per annum
Roll out employee health and wellness programme	Voluntary HIV testing	<ul style="list-style-type: none"> <li>Healthy workforce</li> </ul>	<ul style="list-style-type: none"> <li>50% staff tested</li> </ul>	42% tested
Transformed workforce with regards to race and gender	Employment equity	Strategic management of staff to reflect diversity in Company	Refer to equity plan	Equity plan in place
Employee satisfaction	Employee opinion	Improvement on base <ul style="list-style-type: none"> <li>Best Company to work for position</li> <li>Employee satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>Improve by 10%</li> <li>Favourable response to improve with 5%</li> </ul> 5% improvement	16% improvement 14% improvement 1,4% increase
Performance management implemented	Individual performance scorecards	Implementation at non-bargaining unit level	100%	Achieved



Post Office Head Office  
497 Schubart Street, Pretoria Central 0002, PO Box 10000, Pretoria 0001  
Tel: 012 401 7000  
[www.postoffice.co.za](http://www.postoffice.co.za)