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OCTOBER 2019

REVIEW OF THE STATEMENT OF INCOME AND
EXPENSES OF CASH PAYMASTER SERVICES
(PTY) LTD FOR THE PERIOD ENDED
01 APRIL 2012 TO 30 SEPTEMBER 2018

LIST OF EXHIBITS

SOUTH AFRICAN SOCIAL SECURITY AGENCY

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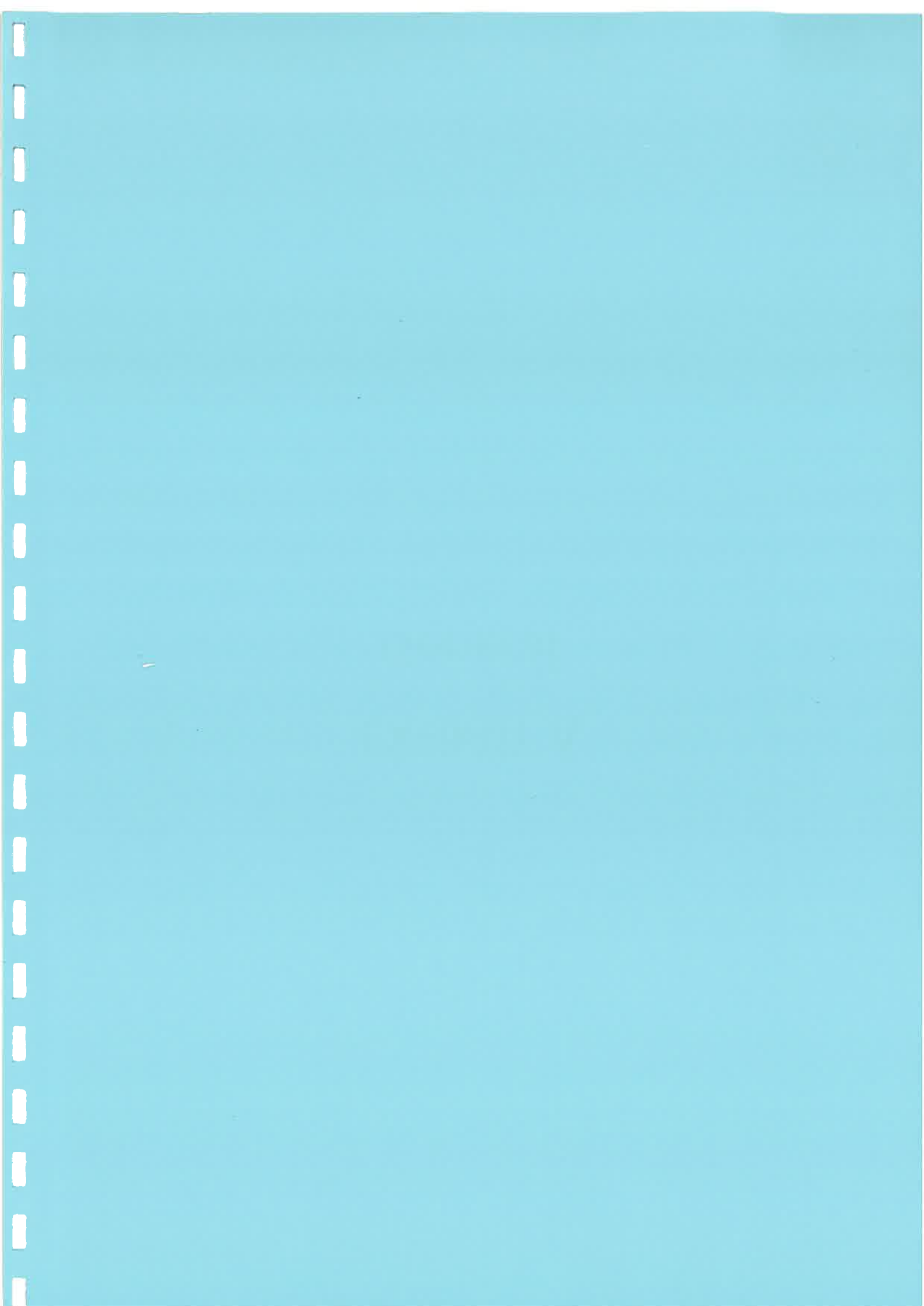


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Document description	Exhibit
General	Exhibit A
Filing notice with Independent Auditor's report - KPMG	Exhibit A1
Filing notice with Independent Auditor's report - Mazars	Exhibit A2
Income and Expenses schedule - CPS and SASSA contract	Exhibit A3
Report published by the State Capacity Research Project, under the heading "How one word can change the game: Case study of State Capture and the South African Social Security Agency	Exhibit A4
CPS Extracts of AFS - June 2018 (up to Statement of Profit and Loss... - page 10)	Exhibit A5
CPS Extracts of AFS - June 2017 (up to Statement of Profit and Loss... - page 10)	Exhibit A6
CPS Extracts of AFS - June 2016 (up to Statement of Profit and Loss... - page 10)	Exhibit A7
CPS Extracts of AFS - June 2015 (up to Statement of Profit and Loss... - page 11)	Exhibit A8
CPS Extracts of AFS - June 2014 (up to Statement of Profit and Loss... - page 12)	Exhibit A9
CPS Extracts of AFS - June 2013 (up to Statement of Profit and Loss... - page 11)	Exhibit A10
CPS Extracts of AFS - June 2012 (up to Statement of Profit and Loss... - page 11)	Exhibit A11
BEE related Expenses	Exhibit B
CPS' BBE section of their tender submission (under bid 01/11/BS)	Exhibit B1
The service agreement between Born Free 272 (Pty) Ltd, Global Retriever Product Sourcing CC and Cash Paymaster Services	Exhibit B2
Born Free Investments 272 - KreditWeb Report	Exhibit B3
Global Retriever Product Sourcing CC- KreditWeb Report	Exhibit B4
VAT Vendor Search of Global Retriever Product Sourcing CC	Exhibit B5
Invoice 1 from Global Retriever Product Sourcing CC - 3 December 2013	Exhibit B6
Invoice from Born Free Investments 272 (Pty) Ltd - 4 December 2013	Exhibit B7
Journal Batch and discussion document - "Prepayment of service - November 2013"	Exhibit B8
Journal Batch and discussion document - "Write-off of prepayment of services made in November 2013"	Exhibit B9
Media article titled: amabhungane Serge Belamant, SASSA, and the 'useful blacks' by Craig Mckune relating to the SASSA and CPS Contract	Exhibit B10
KPMG Report - "Net1 Applied Technologies SA (Pty) Ltd, Fair Valuation of BEE Transaction as at 16 April 2014"	Exhibit B11
Legal Expense Query	Exhibit D
DLA - November 2014 - Class Action Lawsuit - - Invoice	Exhibit D1
DLA - December 2014 - Class action litigation - Invoice	Exhibit D2
DLA - March 2015 - Class action litigation - Invoice	Exhibit D3
DLA - January 2015 - Class action litigation - Invoice	Exhibit D4
DLA - October 2014 - Class action litigation - Invoice	Exhibit D5
Class action judgement (US)	Exhibit D6
Retrenchment Costs	Exhibit E
Service fee agreement between Lizwe Administration Services (Pty) Ltd and CPS	Exhibit E1
Service fee agreement between Uzalo Payment Logistics (Pty) Ltd and CPS	Exhibit E2
Transfer of employees agreement	Exhibit E3
Extracts of an employment contract	Exhibit E4

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EXHIBIT A
General



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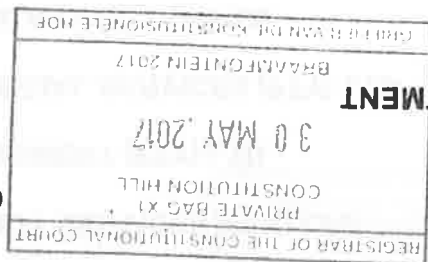
EXHIBIT A1

COPY

IN THE CONSTITUTIONAL COURT OF SOUTH AFRICA

In the matter between:

ALPAY CONSOLIDATED INVESTMENT HOLDINGS (PTY) LTD



ALPAY FREE STATE (PTY) LTD

ALPAY WESTERN CAPE (PTY) LTD

ALPAY GAUTENG (PTY) LTD

ALPAY EASTERN CAPE (PTY) LTD

ALPAY KWAZULU-NATAL (PTY) LTD

ALPAY MPUMALANGA (PTY) LTD

ALPAY LIMPOPO (PTY) LTD

ALPAY NORTH WEST (PTY) LTD

ALPAY NORTHERN CAPE (PTY) LTD

MICAWBER 851 (PTY) LTD

MICAWBER 852 (PTY) LTD

MICAWBER 853 (PTY) LTD

MICAWBER 854 (PTY) LTD

and

THE CHIEF EXECUTIVE OFFICER OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY

Second Respondent

THE SOUTH AFRICAN SOCIAL SECURITY AGENCY

Third Respondent

Fourth Respondent

Flash Savings and Credit Cooperative

Enlightened Security Force (PTY) LTD

Sixth Respondent

Seventh Respondent

MOBACOMM (PTY) LTD

N.J.
[Signature]

CASE NO: 48/2013

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- (i) Documents filed pursuant to the Constitutional Court's order dated 17 April 2014; Independent Auditor's Report by KPMG dated 30 May 2017;
- (ii) Audited statement of expenses incurred, the income received and the net profit earned under the contract; and
- (iii) Notes to audited statement of expenses incurred, the income received and the net profit earned under the contract for the period ended 31 March 2017.

FILING SHEET

Second Amicus Curiae	CENTRE FOR CHILD LAW
First Amicus Curiae	CORRUPTION WATCH
	and
Eighteenth Respondent	KTS TECHNOLOGY SOLUTIONS CONSORTIUM
Seventeenth Respondent	ITHALA LIMITED
Sixteenth Respondent	NEW SOLUTIONS (PTY) LTD
Fifteenth Respondent	STANDARD BANK GROUP LIMITED
Fourteenth Respondent	AFRICAN RENAISSANCE INVESTMENT MANAGEMENT (PTY) LTD
Thirteenth Respondent	UBANK LIMITED
Twelfth Respondent	ROMAN PROTECTION SOLUTIONS CC
Eleventh Respondent	THE SOUTH AFRICAN POST OFFICE
Tenth Respondent	MASINGITA FINANCIAL SERVICES (PTY) LTD
Ninth Respondent	PENSION MANAGEMENT (PTY) LTD
Eighth Respondent	EMPLWENIPAYOUT SERVICES (PTY) LTD

REGISTRAR OF THE CONSTITUTIONAL COURT
 PRIVATE BAG XI
 CONSTITUTION HILL
 30 MAY 2017
 DAARONTREK 2017
 GEFLEERD VAN DIE KONSITUSIONELE HOF

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**SERVED ELECTRONICALLY
ON 30 MAY 2017**

AND TO:
NORTONS INC
Applicants' Attorneys
135 Daisy Street
SANDTON
Tel: 011 666 7560
E-mail: Anthony@nortonsinc.com / Anton@nortonsinc.com
Ref: A Norton / A Roets

**LOGGED ELECTRONICALLY
ON 30 MAY 2017**

TO:
THE REGISTRAR OF THE CONSTITUTIONAL COURT
Constitutional Hill
Bramfontein
JOHANNESBURG
E-mail: registrar@concourt.org.za / visagie@concourt.org.za / ngoben@concourt.org.za

SMIT SEWGOOLAM INCORPORATED
Third Respondent's Attorneys
12 Avonwold Road
Saxonwold
JOHANNESBURG
Tel: 011 646 0006
Fax: 011 646 0016
E-mail: tiaan@smitsew.co.za
sacha@smitsew.co.za
Ref: MAT4514/OCCJ/SC



DATED and signed at SAXONWOLD on this the 30th day of MAY 2017.

2
3
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**SERVED ELECTRONICALLY
ON 30 MAY 2017**

AND TO:
LEGAL RESOURCES CENTRE
Constitutional Litigation Unit
Attorneys for the Centre for Child Law – Second Amicus Curiae
16th Floor
Bram Fischer House
20 Albert Street
JOHANNESBURG
Tel: 011 836 9831
E-mail: bongumusa@irc.org.za
Ref: Bongumusa / 1075212L

**SERVED ELECTRONICALLY
ON 30 MAY 2017**

AND TO:
VAN HUYLSTEYNS ATTORNEYS
Attorneys for Corruption Watch – First Amicus Curiae
3rd Floor, Sandton City
58 Fifth Street
SANDTON
E-mail: Daniel@vhlaw.co.za
Ref: A Legg / D Raath

**SERVED ELECTRONICALLY
ON 30 MAY 2017**

AND TO:
THE OFFICE OF THE STATE ATTORNEY
First and Second Respondents' Attorneys
SALU Building
316 Thabo Sehume Street
PRETORIA
Tel: 012 309 1500
E-mail: DiMolepo@justice.gov.za
Ref: Dikeledi Molepo/1007/12/21/MM



KPMG Services Proprietary Limited

KPMG Crescent
85 Empire Road, Parktown, 2193
Private Bag 9, Parkview, 2122, South Africa
Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg
Internet kpmg.co.za

Independent Auditor's Report

To the Directors of Cash Paymaster Services Proprietary Limited ("the Company")

Opinion

We have audited the statement of the expenses incurred, the income received and the net profit earned ("the Statement") under the South African Social Security Agency ("SASSA") contract dated 3 February 2012 ("the contract") for the period beginning 01 April 2012 to the period ended 31 March 2017, and notes to the Statement.

In our opinion, the Statement has been prepared, in all material respects, in accordance with the basis of preparation set out in the notes to the Statement.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Statement section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation and Restriction on Use

We draw attention to the notes to the Statement, which describe the basis of preparation. The Statement has been prepared to assist the Company to provide information to the Constitutional Court as required in terms of the Constitutional Court judgment handed down on 17 April 2014 in the case of *Allpay Consolidated Investment Holdings (Pty) Ltd and others v Chief Executive Officer of the South African Social Security Agency and others [2013] 2 All SA 501 (SCA) (The Allpay Judgment)*. These are not the Company's statutory financial statements which are prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. Our report is intended solely for the Company and Constitutional Court and should not be used by parties other than the Company or the Constitutional Court. Our opinion is not modified in respect of this matter.

Responsibilities of Directors for the Statement

The directors are responsible for the preparation of the Statement in accordance with the basis of preparation set out in the notes to the Statement, and for such internal control as the directors determine is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Policy Board
Chief Executive
TH Hoole

Executive Directors
N Dlamini, M Letsita, SL Louw, NKS Malaba
M Oddy, M Saloojee, CAT Smit

Other Directors
ZA Basari, ZH De Beer, LF Fourné, N Fubun
AH Jaffer (Chairman of the Board), ME Magondo,
F Moll, GM Pickering, JN Porce, T Rossouw,
GCC Smith

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection

Registration number 1999/012076/07


KPMG Services Proprietary Limited is not a Registered Auditor in terms of the Auditing Profession Act, 26 of 2005 and does not provide audit services as defined in Section 1 of this Act

KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG

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Per M Danckwerts
Director
Chartered Accountant (SA)
Registered Auditor
30 May 2017


KPMG Services Proprietary Limited

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Our objectives are to obtain reasonable assurance about whether the Statement is free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

Auditor's Responsibilities for the Statement



Audited Statement of Expenses Incurred, the Income Received and the Net Profit earned under the Contract

Income received	8 938 509 720
Expenses Incurred	6 958 330 609
Operational cost	888 512 608
Administration cost	7 846 843 217
Net profit before tax	1 091 666 503
Taxation	386 344 019
Net profit after tax	705 322 484

Handwritten initials and a signature.

Handwritten initials.

Notes to the Audited Statement of the Expenses Incurred, the Income Received and the Net Profit Earned under the Contract for the period ended 31 March 2017 ("Statement")

1. Purpose of the Statement

The Statement has been prepared to provide information to the Constitutional Court as required in terms of the order handed down on 17 April 2014 which requires an audited statement of the expenses incurred, the income received and the net profit earned under the contract for the payment of social grants entered into by and between the South African Social Security Agency (SASSA) and Cash Paymaster Services Proprietary Limited (CPS). These are not the CPS statutory financial statements which are prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa.

2. Basis of Preparation of the Statement

The Statement has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards applicable to the preparation of the Statement and the requirements of the contract for the payment of social grants entered into by and between SASSA and CPS. The Statement is prepared on the historical cost basis, with the exception of the charge for the empowerment transaction which is recognised at fair value as described below.

The presentation and functional currency is South African Rand (R) and amounts are rounded to the nearest R1.

The accounting policies were selected and applied consistently for similar transactions.

The directors have selected and applied the following significant accounting policies in the preparation of the Statement. The directors have interpreted the words "under the contract" as relating directly to the SASSA contract and therefore income and expenses incidental to but not arising from the contract have been excluded from the Statement.

Revenue

Revenue from the rendering of services is recognised when the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow; the stage of completion of the transaction at the reporting date can be measured reliably and the cost incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Revenue is measured at the fair value of the consideration received or receivable.

Depreciation

The depreciable amount of an asset is allocated on a systematic basis, using the straight line method, over its useful life as a depreciation charge to expenses. The depreciable amount is the cost of an asset less its residual value.

The cost of an asset comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

KPMG

The residual value of an asset is the estimated net amount that would currently be obtained from disposal of the asset as if the asset were already of the age and condition expected at the end of its useful life. The useful life of an asset is the period over which an asset is expected to be available for use or the number of units expected to be obtained from the asset. Each part of an asset with a cost that is significant in relation to the total cost of the item is depreciated separately.

Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the present value of the expenditure is used to recognise the provision.

Charge for empowerment transaction

The value of the empowerment transaction is measured by reference to the fair value of the equity instruments granted at the grant date. The grant date is when there is an agreement to a share-based payment arrangement. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Market conditions are taken into account when estimating the fair value of the equity instrument granted.

No subsequent adjustment to total equity is made after the vesting date to account for equity instruments that are forfeited or options that are not exercised.

The fair value of the equity instruments was calculated utilising an adjusted Monte Carlo simulation discounted cash flow model which was developed for the purpose of the valuation of these transactions. Cash flows were calculated for each simulated share price path, taking into account the bespoke features of the transactions, as well as the expected interest and capital repayments (funded through the expected sales of shares). The "adjustment" to the Monte Carlo simulation model incorporates a "jump diffusion" process to the standard Geometric Brownian Motion simulation, in order to capture the discontinuous share price jumps observed in the share price movements on the stock exchanges on which the shares are listed. Therefore, the simulated share price paths capture the idiosyncrasies of the observed share price movements. For each simulation, the resulting expected cash flows were discounted to the valuation date.

An expected volatility of 21.04%, an expected life of five years, a risk free rate of 7.90% and no future dividends were used in the calculation of the fair value of the equity instrument. The estimated expected volatility was calculated based on the 30 day VWAP share price using the exponentially weighted moving average of returns.

Leases

Operating leases are recognised by the lessee as an expense.

Operating lease expenses are recognised on a straight-line basis over the lease term.

Employee benefits

Short-term employee benefits paid in exchange for services rendered by employees during a reporting period are recognised as an expense.

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The cost of unused leave that has accumulated at the reporting date is recognised as an expense.

When there is a present legal or constructive obligation to make a bonus payment as a result of a past event and a reliable estimate of the obligation can be made, it is recognised as an expense.

When there is a present legal or constructive obligation and a demonstrable commitment to terminate the employment of employees before retirement, the expected cost of termination benefits is recognised as an expense.

Short-term employee benefits are recognised at the undiscounted amount.

Inventories and cost of sales

Inventories are measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned by using the weighted average cost formula.

After recognition, inventory is carried at its carrying amount, which is the lower of cost and net realisable value.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

Foreign currency transactions

A foreign currency transaction is recorded by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Income tax

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit or taxable profit.

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

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

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The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not discounted.

Current and deferred tax are recognised as income or an expense and included in profit and loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or different period, outside profit or loss, to other comprehensive income, directly to equity or arises from a business combination. These are recognised in other comprehensive income, directly in equity and goodwill, respectively.

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EXHIBIT A2

A.V.
[Signature]

1. Independent Auditors Report by Mazars dated 8 November 2018
Documents filed pursuant to the Constitutional Court's order dated 23 March 2018:

FILING SHEET

CORRUPTION WATCH (NPC) RF
and
First Amicus Curiae

FREEDOM UNDER LAW
Eight Respondent

SOUTH AFRICAN POST OFFICE SOC LIMITED
Seventh Respondent

INFORMATION REGULATOR
Sixth Respondent

CASH PAYMASTER SERVICES (PTY) LIMITED
Fifth Respondent

NATIONAL TREASURY
Fourth Respondent

MINISTER OF FINANCE
Third Respondent

BLACK SASH TRUST
Second Respondent

MINISTER OF SOCIAL DEVELOPMENT
First Respondent

SOUTH AFRICAN SOCIAL SECURITY AGENCY
and
CHIEF EXECUTIVE OFFICER OF THE
SOUTH AFRICAN SOCIAL SECURITY AGENCY

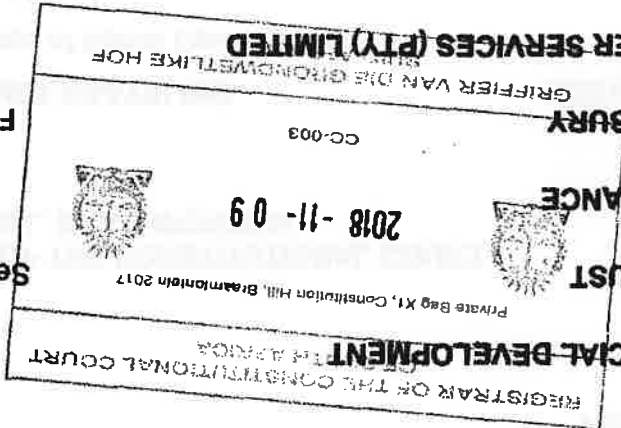
Second Applicant
First Applicant

In the matter between:

Case CCT 48/17

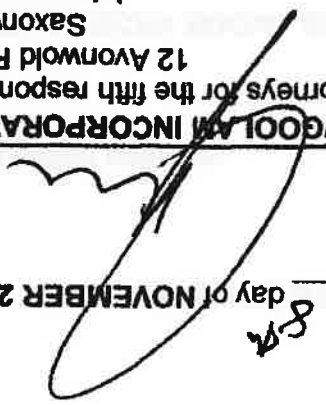
CONSTITUTIONAL COURT OF SOUTH AFRICA

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SIGNED and DATED at JOHANNESBURG on this the ___ day of NOVEMBER 2018.



SMIT SEWGOOLAM INCORPORATED
Attorneys for the fifth respondent
12 Avonwold Road
Saxonwold
Johannesburg
Tel: 011 646 0006
Fax: 011 646 0016
Attention: Tiaan Jonker
Email: tiaan@smitsew.co.za
Ref: MAT28041/OCJ

TO:

**THE REGISTRAR OF THE CONSTITUTIONAL COURT
CONSTITUTION HILL, BRAAMFONTEIN**

AND TO:
HARRIS NUPEN MOLEBATSIS INC
SERVICE BY E-MAIL

Attorneys for Minister of Social Development
3rd Floor, 1 Bompas Road
Dunkeld West, Johannesburg
Tel: 011 017 3100
Ref: B Molebatsi / R Makhetha
E-mail: basetsana@hnmattorneys.co.za; rethabile@hnmattorneys.co.za

AND TO:
RENGE FY INC
SERVICE BY E-MAIL

Attorneys for CEO of SASSA and SASSA
698 Old Farm Road
Faerie Glen
Pretoria
Tel: 012 991 2162
E-mail: Olwethu@renge.co.za

J. N.
[Signature]

AND TO:
GILDENHUY'S MALATIJI
Attorneys for the Information Regulator
Katherine & West Building
114 West Street
Sandton
Tel: 011 068 5900
E-mail: Imalati@gminc.co.za ; inforeg@justice.gov.za

AND TO:
STATE ATTORNEY, JOHANNESBURG
Attorneys for Minister of Finance and National Treasury
12th Floor, North State Building
95 Market Street, Cnr Krus Street, Johannesburg
Attention: Vijay Dhulam
E-mail: vdhulam@justice.gov.za
Attention: Rebecca Tee
E-mail: minreg@treasury.gov.za; Rebecca.Tee@treasury.gov.za
Mobile: 083 564 8539

AND TO:
CENTRE FOR APPLIED LEGAL STUDIES
Attorneys for the Black Sash Trust
1st Floor, Df du Plessis Building
West Campus, University of Witwatersrand
1 Jan Smuts Avenue
Johannesburg
Tel: 011 717 8606
Fax: 011 717 1702
Attention: Akhona Mehlo
E-mail: Akhona.Mehlo@wits.ac.za
Ref: BHR/0062/NN

SERVICE BY E-MAIL

SERVICE BY E-MAIL

SERVICE BY E-MAIL

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AND TO:

SHEPSTONE & WYLIE ATTORNEYS

SERVICE BY E-MAIL

Attorneys for South African Post Office SOC Limited

38 Weirda Road West
Sandton

Tel: 011 290 2540

Ref: Mr Tayob Kamdar and Noushaad Omarjee

E-mail: ikamdar@wylie.co.za / nomarjee@wylie.co.za

Ref: SOUT55.152

AND TO:

VAN HUJLSTENS ATTORNEYS

SERVICE BY E-MAIL

Attorneys for Corruption Watch

3rd Floor, Katherine & West Building
114 West Street
Sandton

Tel: 011 523 5300

Ref: Mr D Raath / K Naidoo

Attention: Daniel Raath

E-mail: Daniel@vhlaw.co.za

AND TO:

NORTONS INC

SERVICE BY E-MAIL

Attorneys for Freedom Under Law NPC

135 Daisy Street
Sandton

Tel: 011 666 7560

Fax: 086 600 5529

Attention: Anton Roets

E-mail: Anton@nortonsinc.com

Attention: Michelle Rawlinson

E-mail: Michelle@nortonsinc.com



Independent Auditor's Report to the Directors of Cash Paymaster Services Proprietary Limited

Opinion

We have audited the statement of the expenses incurred, the income received and the net profit earned under the South African Social Security Agency ("SASSA") contract dated 3 February 2012 ("the Contract") for the 12 month period beginning 01 April 2017 and ending 31 March 2018 and the 6 month period beginning 01 April 2018 and ending 30 September 2018, and accompanying notes (together "the Statement").

In our opinion, the Statement has been prepared in all material respects, in accordance with the basis of preparation set out in the notes to the Statement.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter -- Basis of preparation and Restriction on Use

We draw attention to the notes to the Statement, which describe the basis of preparation. The Statement has been prepared to assist the Company to provide information to the Constitutional Court as required in terms of the Constitutional Court judgement handed down on 17 March 2017 in the case of Black Sash Trust v Minister of Social Development and Others [2017] ZACC 8 and on 23 March 2018 in the case of South African Social Security Agency and others v Minister of Social Development and others [2018] ZACC. The Statement may not be suitable for another purpose. These are not the Company's statutory financial statements which are prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. Our report is intended solely for the Company and Constitutional Court and should not be used by parties other than the Company or the Constitutional Court. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Statement

The directors are responsible for the preparation of the Statement in accordance with the basis of preparation set out in the notes to the Statement. This includes determining that the basis of accounting is an acceptable basis for the preparation of the statement in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

REGISTERED AUDITOR - A FIRM OF CHARTERED ACCOUNTANTS(SA) • IRBA REGISTRATION NUMBER 900222

MAZARS HOUSE 54 GLENHOVE ROAD MELROSE ESTATE 2196 • PO BOX 6697 JOHANNESBURG 2000 • DOCK 703 JOHANNESBURG TEL: +27 11 547 4000 • FAX: +27 11 484 7864 • jhb@mazars.co.za • WWW.MAZARS.CO.ZA

MARTHELIUS MATHAN (NATIONAL CO-CEO), MC OCKERS (NATIONAL CO-CEO), SI ARIJAN, E BANK, A BUCK, JC COMBRINK, DE BEER, D CLOFF, KRIEMER, M GROENLAMP, OD JACKSON, D DE VRIJ, K MURUGAN, MW PATEL, S MANCHANDRA, BV SWARTZ, DM TENG, S TRUTER, S VORSTER

A FULL LIST OF NATIONAL PARTNERS IS AVAILABLE ON REQUEST OR AT WWW.MAZARS.CO.ZA

Praxis
MEMBER
OF THE
GLOBAL ALLIANCE OF
INDEPENDENT FINANCIAL
ADVISERS

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

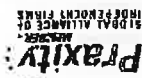
Mazars
Partner: Shaun Vorster
Registered Auditor
08 November 2018
Johannesburg

REGISTERED AUDITOR - A FIRM OF CHARTERED ACCOUNTANTS(SA) • REGISTRATION NUMBER 300222

Mazars House 54 Glenhove Road Midrand Estate 2196 • P O Box 6697 Johannesburg 2000 • Docx 703 Johannesburg
TEL: +27 11 547 4000 • FAX: +27 11 484 7864 • info@mazars.co.za • www.mazars.co.za

PARTNERS: NEV NUNAN (NATIONAL CO-CEO), MC OLOREN (NATIONAL CO-CEO), SU ARJAY, B BAKI, R BUCHI, R COMANIK, G DE BEER, H EIDY, M H FOMER, M GONDELMAN, G JACKSON, D REZEV, R MURPHY, S RANCHOURE, M SWARTZ, D TENG, S TRUTER, S VONSTEN

A FULL LIST OF NATIONAL PARTNERS IS AVAILABLE ON REQUEST OR AT WWW.MAZARS.CO.ZA



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Audited Statements of Expenses Incurred, the Income Received and the Net Profit Earned under the Contract Extensions

	For the year ended 31 March 2018	For the six months ended 30 September 2018
Income received	1,889,153,180	131,019,867
Expenses Incurred	1,548,499,741	626,167,428
Operational cost	1,548,499,741	626,167,428
Administration cost	175,844,634	61,845,062
Net profit before tax	144,808,805	(556,992,623)
Taxation	40,548,514	-
Net profit after tax	104,260,291	(556,992,623)

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Notes to the Audited Statements of the Expenses Incurred, the Income Received and the Net Profit Earned under the Contract for the year ended 31 March 2018 and six months ended 30 September 2018 ("Statements")

1. Purpose of the Statements
These Statements have been prepared to provide information to the Constitutional Court as required in terms of the orders handed down on 17 March 2017 and 23 March 2018 which require audited statements of the expenses incurred, the income received and the net profit earned under the contract extensions for the payment of social grants entered into by and between the South African Social Security Agency (SASSA) and Cash Paymaster Services Proprietary Limited (CPS). These are not the CPS statutory financial statements which are prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa.

2. Basis of Preparation of the Statements

The Statements have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards applicable to the preparation of the Statements and the requirements of the contract for the payment of social grants entered into by and between SASSA and CPS. The Statements are prepared on the historical cost basis.

The presentation and functional currency is South African Rand (R) and amounts are rounded to the nearest R1.

The accounting policies were selected and applied consistently for similar transactions and are consistent with those used for the preparation of the Statement for the five years ended 31 March 2017.

The directors have selected and applied the following significant accounting policies in the preparation of the Statements. The directors have interpreted the words "under the contract" as relating directly to the SASSA contract and therefore income and expenses incidental to but not arising from the contract have been excluded from the Statements.

Revenue

Revenue from the rendering of services is recognised when the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow; the stage of completion of the transaction and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Revenue is measured at the fair value of the consideration received or receivable.

Under the Constitutional Court order of 23 March 2018, related to the extension of the SASSA contract to 30 September 2018 in respect of the recipients paid at cash pay points, CPS were granted permission to approach National Treasury to request revised pricing of the contract. National Treasury provided a recommendation to the Constitutional Court in compliance with their order at a price per recipient of R51.00 (VAT inclusive) per month for

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Contingent liability: Challenge to payment by SASSA of additional implementation costs
In June 2014, CPS received R277 million, excluding VAT, from SASSA, related to the recovery of additional implementation costs incurred during the beneficiary re-registration process in fiscal 2012 and 2013. After the award of the tender, SASSA requested that CPS biometrically register all social grant beneficiaries (including child grant beneficiaries) and collect additional information for each child grant recipient. CPS agreed to SASSA's

The Statements do not record contingent liabilities, but disclosed below are the facts and circumstances around a dispute.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the entity or a present obligation that arises from past events that is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the present value of the expenditure is used to recognise the provision.

Provisions and contingent liabilities
A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The residual value of an asset is the estimated net amount that would currently be obtained from disposal of the asset as if the asset were already of the age and condition expected at the end of its useful life. The useful life of an asset is the period over which an asset is expected to be available for use or the number of units expected to be obtained from the asset. Each part of an asset with a cost that is significant in relation to the total cost of the item is depreciated separately.

The cost of an asset comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Depreciation
The depreciable amount of an asset is allocated on a systematic basis, using the straight line method, over its useful life as a depreciation charge to expenses. The depreciable amount is the cost of an asset less its residual value.

those recipients paid at cash points. Although CPS offered to accept this amount in respect of the three months ended 30 June 2018 when the number of recipients paid approximately two million per month, CPS has asked the Constitutional Court to reconsider the pricing for the last three months of the contract. Neither the National Treasury recommendation nor the CPS proposal has been approved by the Constitutional Court to date and as a result in these Statements revenue has been recognised at the rate set forth in the original contract, being R16.44 (VAT inclusive). Given the material nature of the differential between the recommended and historical amounts, a final set of Statements can only be provided once the Constitutional Court provides its determination on this matter.

request and, as a result, performed approximately 11.0 million additional registrations beyond those that CPS tendered for at the quoted service fee. Accordingly, CPS sought reimbursement from SASSA, supported by a factual findings certificate from an independent auditing firm. SASSA agreed to pay CPS the R277 million as full settlement of the additional costs incurred.

In March 2015, Corruption Watch, a South African non-profit civil society organisation, commenced legal proceedings in the High Court of South Africa seeking an order by the Pretoria High Court to review and set aside the decision of SASSA's Chief Executive Officer to approve the payment to CPS and directing CPS to repay the aforesaid amount, plus interest. Corruption Watch claimed that there was no lawful basis to make the payment, and that the decision was unreasonable and irrational and did not comply with South African legislation. CPS was named as a respondent in this legal proceeding.

In March 2018 the High Court ordered that the 2012 variation agreement between SASSA and CPS be reviewed and set aside. CPS was ordered to refund the R277 million to SASSA, plus interest from June 2014 to date of payment. The interest on this amount up until 30 September 2018 has been calculated as R138 million. The income of R277 million was recorded in the Statements for the five year period ended 31 March 2017.

On May 2018, CPS delivered its petition seeking leave to appeal the whole order and judgment of the High Court with the Supreme Court of Appeal, which has granted the leave to appeal. The matter is expected to be heard during the first half of calendar 2019. CPS cannot predict how the Supreme Court will rule on the matter.

Leases

Operating leases are recognised by the lessee as an expense.

Operating lease expenses are recognised on a straight-line basis over the lease term.

Employee benefits

Short-term employee benefits paid in exchange for services rendered by employees during a reporting period are recognised as an expense.

The cost of unused leave that has accumulated at the reporting date is recognised as an expense.

When there is a present legal or constructive obligation to make a bonus payment as a result of a past event and a reliable estimate of the obligation can be made, it is recognised as an expense.

When there is a present legal or constructive obligation and a demonstrable commitment to terminate the employment of employees before retirement, the expected cost of termination benefits is recognised as an expense.

Short-term employee benefits are recognised at the undiscounted amount.

Inventories and cost of sales

Inventories are measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned by using the weighted average cost formula.

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After recognition, inventory is carried at its carrying amount, which is the lower of cost and net realisable value.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

Foreign currency transactions

A foreign currency transaction is recorded by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Income tax

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit or taxable profit.

CPS has incurred a substantial tax loss for the six month reporting period ended 30 September 2018. The directors have considered the potential for future taxable income and have determined that it is not probable that sufficient taxable profit will be available to allow the company to recover part or all of any associated deferred tax asset. Therefore the directors concluded that it is not reasonable to raise a deferred tax asset.

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

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

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not discounted.

Current and deferred tax are recognised as income or an expense and included in profit and loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or different period, outside profit or loss, to other comprehensive income, directly to equity or arises from a business combination. These are recognised in other comprehensive income, directly in equity and goodwill, respectively.

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EXHIBIT A3

