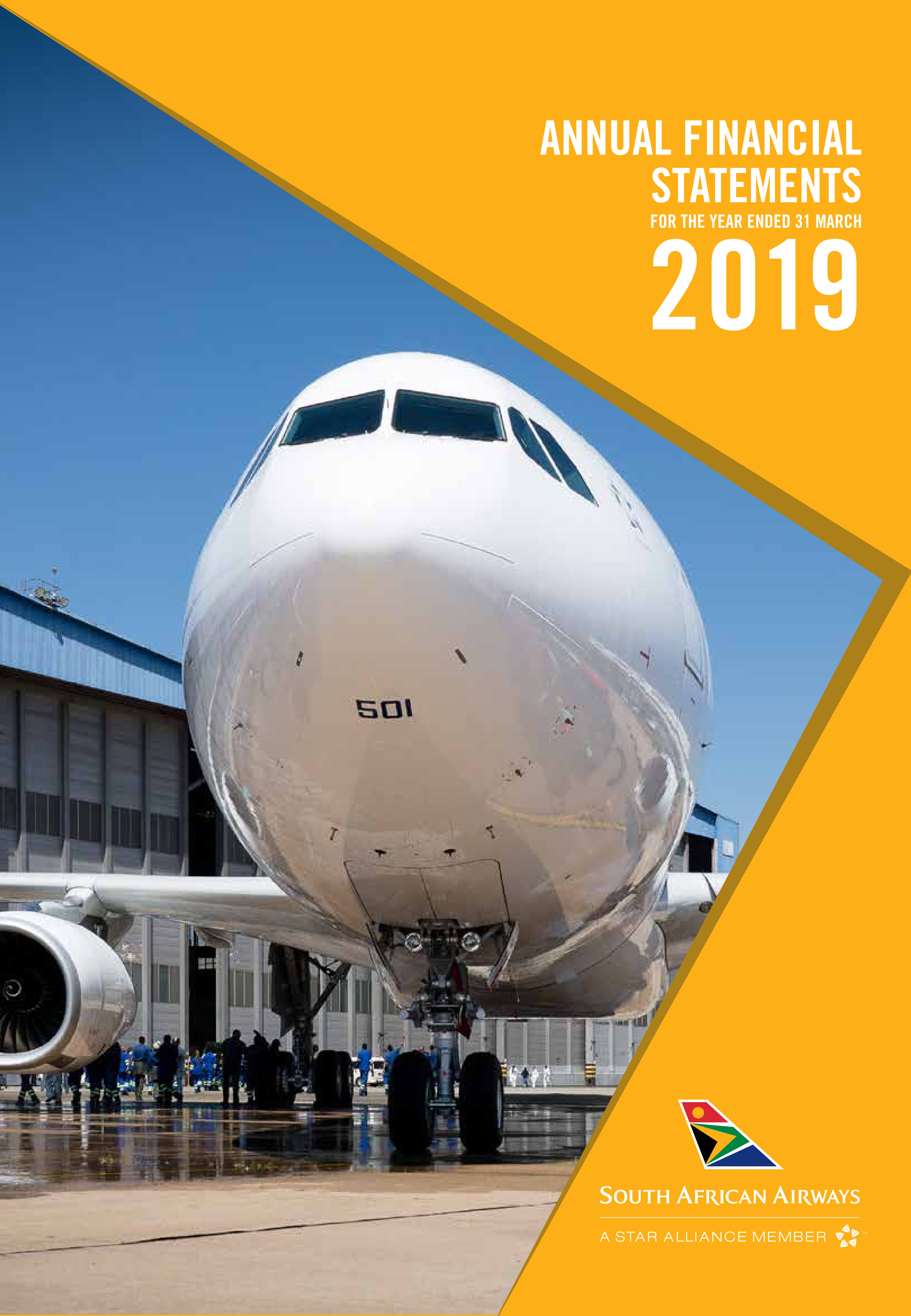
ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

2019

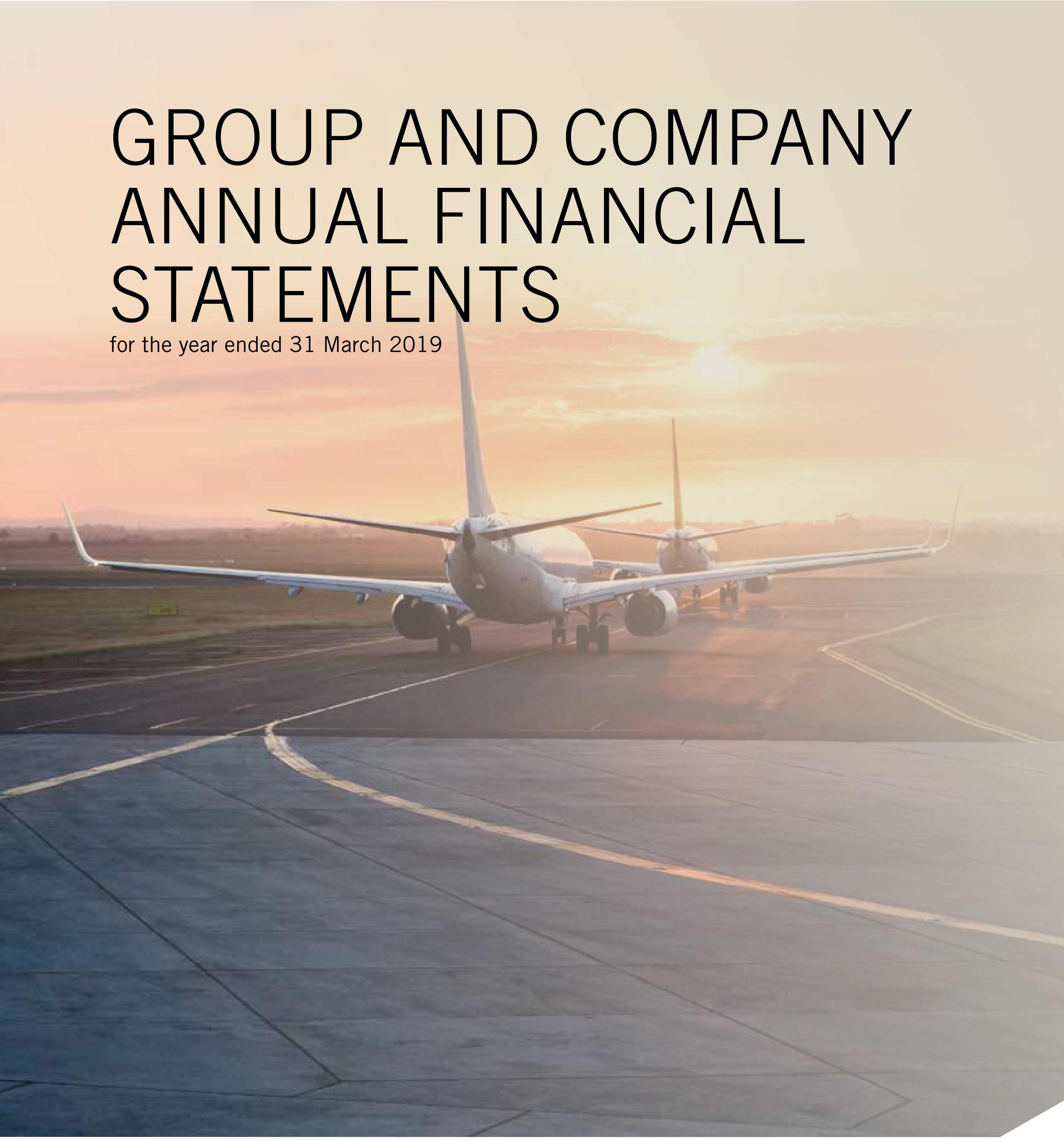


SOUTH AFRICAN AIRWAYS

A STAR ALLIANCE MEMBER

GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019



2019

CONTENTS TO FINANCIAL REPORT

Directors' report	2
Statement by the company secretary	4
Report of the Auditor–General	5
Group and Company statement of profit or loss and other comprehensive income	12
Group and Company statement of financial position	13
Group and Company statement of changes in equity	14
Group and Company statement of cash flows	15
Notes to the Group and Company annual financial statements	16
Corporate information	90

SOUTH AFRICAN AIRWAYS

A STAR ALLIANCE MEMBER

Directors' report

The directors present their report which forms part of the annual financial statements of the South African Airways SOC Ltd (SAA) and its subsidiaries "the Group" for the year ended 31 March 2019.

The financial statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and are based on appropriate accounting policies adopted in terms of IFRS, as detailed in note 1 of the annual financial statements. There have been no changes made to the accounting policies for the year under review except for the impact of the adoption of IFRS 15 Revenue from contracts with customers. The accounting policies are supported by reasonable and prudent judgements and estimates as detailed in notes 3 and 4.

The directors confirm that the annual financial statements present fairly the state of affairs and the business of the Group and explain the transactions and financial position of the business of the Group for the year ended 31 March 2019. In confirming the annual financial statements fairly present the state of affairs of the business the directors wish to bring to the attention of the user of the annual report that they have placed reliance on the previous board and management as reflected in the final paragraph to this report on page 3.

NATURE OF BUSINESS AND COMPANY SHAREHOLDING

SAA is a state–owned company, incorporated in terms of the South African Airways Act, No 5 of 2007 and shareholder oversight is effected via the Minister of Public Enterprises supported by the Department of Public Enterprises. The airlines principle activities include the providing of scheduled air services for the transportation of passengers, freight and mail to international, regional and domestic destinations. In fulfilling its mission to deliver commercially sustainable world class air passenger aviation services in South Africa, the African continent and our tourism and trading partners.

OPERATING RESULTS

Financial performance for the year

	2019 Rm	2018 Rm
Total income	**26 992**	29 406
Operating costs excluding translation (losses)/profits	**(30 501)**	(31 242)
Translation (losses)/gains	**558**	(829)
EBITDA	**(2 951)**	(2 665)
Finance costs	**(1 432)**	(1 472)
Total loss	**(6 483)**	(5 485)

Year–end financial position

	2019 Rm	2018 Rm
Interest bearing borrowings	**11 909**	8 448
Bank overdraft	**–**	828
Cash and cash equivalents	**1 979**	1 635
Equity position	**(14 520)**	(13 038)

Group revenue decreased by R2.4 billion, primarily in the airline space as SAA's international revenues fell by R1 billion and domestic revenues reduced by R1.1 billion. Mango revenues increased by R0.4 billion as they capitalised on domestic routes SAA had withdrawn from in the previous year. Other income, comprising cargo and mail, Voyager, excess baggage, rentals and release of expired tickets also showed a reduction year-on-year. Fuel costs were impacted by higher prices as the Brent average for the year was USD71 vs USD 56 the previous year. Currency reflected fluctuations for the year but the average was USD 13.67 to the rand (USD 13.00 the prior year). There was a significant positive swing of R1.4 billion relating to currency translation for the year. A decision was made to impair the debtors balance of R1.1 billion relating to funds in Zimbabwe that SAA and IATA were unable to access despite many attempts to engage with the Reserve Bank of Zimbabwe. SAA received funding to repay certain loans as those lenders were unwilling to extend the loan term further. Additional borrowings of R3.5 billion were advanced by the lenders against government guarantees. The capital structure remains a concern and resulted in finance costs of R1.432 billion for the year, similar to that of the prior year.

MATERIAL AND SIGNIFICANT MATTERS

Going concern

The directors evaluated the appropriateness of the going–concern assumptions used in the preparation of the consolidated annual financial statements and, in particular taking into account the negative equity position, refer note 51 of the annual financial statements. The airline was placed in business rescue on 5 December 2019, as a result of which, existing liabilities to creditors were compromised. The shareholder funded the company as detailed in note 50 and SAA exited the business rescue process at 30 April 2021. The directors are satisfied that South African Airways can continue to operate as a going concern. The consolidated annual financial statements were therefore prepared on this basis.

Competition matters

In February 2017 the court ruled on the Comair litigation and awarded R1.1 billion compensation in favour of Comair. The ruling of the Competition Tribunal is that SAA contravened sections of the Competition Act, Act 89 of 1998 in regard to the provisions of its agreements with travel agents between October 1999 and May 2001, and between June 2001 and March 2005. SAA and Comair agreed to payment terms to settle this amount over a period of time, commencing February 2019 however as a result of SAA being placed in business rescue the balance outstanding at 5 December 2019 became subject to compromise in terms of the approved business rescue plan.

Recapitalisation and share capital

The shareholder invested R5 billion in the company in February 2019. The funds were used to repay loans. As in 2018, shares were not issued during the year for the proceeds as, at the time, the company did not have sufficient authorized shares available for issue to the shareholder. The investment is reflected as shareholder contribution in note 48 to the annual financial statements.

Details of the share capital of the Group and Company are set out in note 47 to the annual financial statements. Funding subsequent to year is disclosed in note 50 of the annual financial statements.

Dividends

No dividends have been declared in the current and prior financial year.

Directorship

The changes at board are disclosed in note 50 of the annual financial statements and the following are active directors as at the date of the approval of the annual financial statements:

Non–executive directors	*Executive directors*
Mr DA Hanekom	**Prof MJ Lamola – Interim CEO**
Ms FBB Abdul Gany	**Ms LS Olitzki – Interim CFO**
Mr MS Mazwi	
Mr DH Sangweni	
Ms F Sithebe	
Adv JC Weapond	

Details of director's emoluments are reflected in note 49 of the annual financial statements while movements of directors can be found in note 50 to the annual financial statements.

Auditors

The consolidated annual financial statements are audited by the Auditor–General of South Africa. The statutory auditor for the forthcoming year will be confirmed at the AGM

Subsequent events

The annual financial statements have not been adjusted for the transactions disclosed in note 50 of the annual financial statements, but have been disclosed as they are perceived to be material to the user.

Company Secretary

The Company Secretary for the period under review was Ruth Kibuuka. The business and postal addresses are also the addresses of the registered office of the company and are stated below:

Airways Park
32 Jones Road
Kempton Park

Private Bag X13
Kempton Park
1627

PERFORMANCE AGAINST THE SHAREHOLDER'S COMPACT

There was no signed and agreed shareholder's compact for the year under review.

DIRECTORS' APPROVAL

The consolidated annual financial statements of SAA SOC Ltd for the year ended 31 March 2019, as set out on pages 12 to 89, have been prepared under the supervision of Lindsay Olitzki CA(SA) and were approved by the board of directors on 3 November 2023 terms of the Companies Act and the PFMA.

These annual financial statements are in respect of business operations that took place under the previous management and the previous Board. These annual financial statements were prepared by the previous management under the oversight of the previous Board. The new management and the Board has therefore placed reliance on the previous management and the previous Board regarding these annual financial statements. The newly appointed interim directors have, however, approved and signed the annual financial statements below in the interest of continuity and good corporate governance.

DA Hanekom
Chairperson of the Interim Board

Prof M J Lamola
Interim Chief Executive Officer

3 November 2023

Statement by the company secretary

In terms of Section 88(2)(e) of the Companies Act of South Africa, No.71 of 2008 as amended, I certify that, with the exception of lodging audited annual financial statements, the company has lodged with the Commissioner all such returns and notices as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Due to the delay in the preparation and audit of the annual financial statements, approved audited financial statements were not filed with the annual return, as required by section 33(1)(a) of the Companies Act and 30(2) of the Companies Regulations.

RKibuuka

Ruth Kibuuka
Company Secretary

3 November 2023

Name: Ms Ruth Kibuuka

Business address:
Airways Park, Jones Road
OR Tambo International Airport
Kempton Park, 1619

Postal address:
Private Bag x13
OR Tambo International Airport
Kempton Park, 1627

Report of the auditor-general to Parliament on South African Airways SOC Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

DISCLAIMER OF OPINION

1. I was engaged to audit the consolidated and separate financial statements of South African Airways SOC Limited (SAA) and its subsidiaries (the group) set out on pages 12 to 89, which comprise the consolidated and separate statement of financial position as at 31 March 2019, the consolidated and separate statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flow for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the public entity. Because of the significance of the matters described in the basis for the disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

BASIS FOR DISCLAIMER OPINION

Preparation of consolidated financial statements

3. I was unable to obtain sufficient appropriate audit evidence regarding the consolidation of two SAA subsidiaries, South African Airways Employee Share Trust (SAA Employee Share Trust) and SAA Travel Centre (SATC) due to the non-submission of separate financial statements for audit. In addition, I was unable to obtain sufficient appropriate audit evidence relating to the elimination of intercompany transactions and reclassifications associated with the two subsidiaries, as mentioned. I was unable to confirm the consolidation by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the consolidated financial statements.
4. I was unable to obtain sufficient appropriate audit evidence regarding the completeness of the elimination of intercompany transactions and reclassifications in the consolidated financial statements, as required by IFRS 10, *Consolidated financial statements*, due to the effects of the material misstatements and/or material limitations of scope as stated in the modification paragraphs below. I was unable to confirm the completeness of the elimination of intercompany transactions and reclassifications by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the consolidated financial statements.
5. The financial statements of Mango SOC Ltd (Mango), a subsidiary of SAA, as included in the consolidated financial statements have been prepared on the going concern basis of accounting. I was unable to obtain sufficient audit evidence to support a going concern basis of accounting for Mango. Mango is currently under business rescue and has ceased its operations. Due to the multiple uncertainties relating to Mango's ability to continue as a going concern, I was unable to confirm whether it is appropriate to prepare the separate financial statement of Mango using the going concern basis of accounting. I was unable to confirm the going concern assumptions by alternative means for Mango. Consequently, I could not determine whether adjustments were necessary to the consolidated financial statements.

Airline Revenue

6. I was unable to obtain sufficient appropriate audit evidence for freight and mail revenue due to the status of record keeping. I was unable to confirm freight and mail by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to airline revenue stated at R26 008 million and R22 695 million in note 6 to the consolidated and separate financial statements, respectively.
7. Mango did not provide sufficient appropriate audit evidence for the airline revenue due to the status of record keeping. I was unable to confirm airline revenue by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the airline revenue stated at R26 008 million in note 6 to the consolidated financial statements.
8. South African Airways Technical SOC Ltd. (SAAT), the subsidiary of SAA, did not recognise, measure, present, and disclose the requirements of IFRS 15: *Revenue from contracts with customers*. IFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The public entity was party to a number of service contracts that were not recognised, measured, presented, and disclosed in accordance with IFRS 15. I was unable to determine the value of the misstatement, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment was necessary to airline revenue stated at R26 008 million in note 6 to the consolidated financial statements. In addition, I was unable to determine the impact on the assets and liabilities.
9. SAAT did not provide sufficient appropriate audit evidence for the technical services revenue due to the status of record keeping. I was unable to confirm the technical services revenue by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the airline revenue stated at R26 008 million in note 6 to the consolidated financial statements.

Other income

10. I was unable to obtain sufficient appropriate audit evidence for other income due to the status of record keeping. I was unable to confirm other income by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the other income stated at R984 million and R1 180 million in note 7 to the consolidated and separate financial statements, respectively.

Aircraft lease costs

11. I was unable to obtain sufficient appropriate audit evidence for aircraft lease costs due to the status of record keeping. I was unable to confirm the aircraft lease costs by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the aircraft lease costs stated at R3 218 million and R2 841 million in note 8 to the consolidated and separate financial statements, respectively.

Accommodation and refreshments

12. I was unable to obtain sufficient appropriate audit evidence for accommodation and refreshments costs due to the status of record keeping. I was unable to confirm the accommodation and refreshments costs by alternative means. Consequently, I was unable to determine whether

any adjustment was necessary to accommodation and refreshments costs stated at R1 075 million and R1 329 million in the consolidated and separate financial statements, respectively.

Commissions and network charges

13. I was unable to obtain sufficient appropriate audit evidence for commissions and network charges due to the status of record keeping. I was unable to confirm the commissions and network charges by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commissions and network charges stated at R1 509 million and R1 399 million in the consolidated and separate financial statements, respectively.

Electronic data costs

14. I was unable to obtain sufficient appropriate audit evidence for electronic data costs due to the status of record keeping. I was unable to confirm the electronic data costs by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to electronic data costs stated at R701 million and R685 million in the consolidated and separate financial statements, respectively.

Employee benefit expenses

15. I was unable to obtain sufficient appropriate audit evidence for employee benefit expenses due to the status of record keeping. I was unable to confirm employee benefit expenses by alternative means. In addition, I was unable to obtain sufficient appropriate audit evidence with respect to the verification of employee information. Consequently, I was unable to determine whether any adjustments were necessary to the employee benefits expenses stated at R6 589 million and R4 289 million in note 29 to the consolidated and separate financial statements, respectively.

Maintenance costs

16. I was unable to obtain sufficient appropriate audit evidence for maintenance costs due to the status of record keeping. I could not confirm maintenance costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the maintenance costs stated at R3 548 million (2018: R4 392 million; 2017: R4 812 million) and R4 178 million in the consolidated and separate financial statements, respectively.

Navigation, landing and parking fees

17. I was unable to obtain sufficient appropriate audit evidence for navigation, landing, and parking fees due to the status of record keeping. I was unable to confirm the navigation, landing, and parking fees by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the navigation, landing and parking fees stated at R1 856 million and R1 546 million in the consolidated and separate financial statements, respectively.

Fair value and translation movements

18. I was unable to obtain sufficient appropriate audit evidence for fair value and translation movements due to the status of record keeping. I was unable to confirm fair value and translation movements by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the fair value and translation movements stated at R558 million and R542 million in note 40 to the consolidated and separate financial statements, respectively.

Other operating costs

19. I was unable to obtain sufficient appropriate audit evidence for other operating costs due to the status of record keeping. I was unable to confirm the other operating costs by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to other operating costs stated at R3 989 million and R3 582 million in the consolidated and separate financial statements, respectively.

Finance costs

20. I was unable to obtain sufficient appropriate audit evidence for finance costs due to the status of record keeping. I was unable to confirm finance costs by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to finance costs stated at R1 432 million and R1 399 million in note 19 to the consolidated and separate financial statements, respectively.

Property, Aircraft and Equipment

21. I was unable to obtain sufficient appropriate audit evidence for property, aircraft, and equipment as the financial statements did not agree with the underlying accounting records due to a lack of adequate internal control systems and processes to reconcile the underlying accounting records with the consolidated and separate financial statements.

    Furthermore, in the prior year, the SAA Group did not adequately review the useful lives and residual values and assess the property, aircraft and equipment in accordance with the International Accounting Standards (IAS) 16, *Property, plant and Equipment* and IAS 36, *Impairment of assets*. In addition, some of the property, aircraft and equipment were not recorded in the financial statements, while others were recorded but their existence could not be verified. My audit opinion for the period ended 31 March 2018 was modified accordingly. My opinion on the current period's financial statements is also modified because of the effect of this matter on corresponding and current year figures.

    Consequentially, I was unable to determine the impact on the following items in the consolidated and separate financial statements, as it was impracticable to do so.

    - Property, aircraft, and equipment stated as R3 741 million (2018: R4 291 million; 2017: R4 574 million) and R2 310 million (2018: R2 806 million; 2017: R3 114 million) as disclosed in note 12 to the consolidated and separate financial statements, respectively
    - Depreciation stated as R958 million (2018: R732 million) and R868 million; (2018: R661 million) as disclosed in note 9 to the consolidated and separate financial statements, respectively.
    - Impairments stated as R1 190 million (2018: R568 million; 2017: R26 million) and R1 178 million (2018: R73 million; 2017: R906 million) as disclosed in note 11 to the consolidated and separate financial statements, respectively.

Intangible assets

22. I was unable to obtain sufficient appropriate audit evidence for intangible assets due to the status of record keeping. I was unable to confirm intangible assets by alternative means.

23. Furthermore, in the prior year, the SAA Group did not adequately review the useful lives and residual values and assess the intangible assets at each reporting date in accordance with IAS 38, *Intangible assets* and IAS 36, *Impairment of assets*. In addition, some of the intangible assets were not recorded in the financial statements, while others were recorded but their existence could not be verified. My audit opinion for the period ended 31 March 2018 was modified accordingly. My opinion on the current period's financial statements is also modified because of the effect of this matter on corresponding and current year figures.

24. Consequently, I was unable to determine the impact on the following items in the consolidated and separate financial statements, as it was impracticable to do so:

    - Intangible assets stated as R194 million (2018: R213 million) and R59 million (2018: R81 million) as disclosed in note 37 to the consolidated and separate financial statements, respectively.
    - Amortisation stated as R46 million (2018: R43 million) and R31 million; (2018: R31 million) as disclosed in note 9 to the consolidated and separate financial statements, respectively.
    - Impairments stated as R1 190 million (2018: R568 million) and R1 178 million (2018: R73 million) as disclosed in note 11 to the consolidated and separate financial statements, respectively.

Investments in subsidiaries

25. The group did not appropriately calculate impairment of investment in subsidiaries in accordance with IAS 36, *Impairment of assets* as the discount rate did not reflect entity specific risks. In addition, the figures and assumptions used in the base cash flow projections were not based on reasonable and supportable assumptions. I was unable to determine the value of the misstatement, as it was impracticable to do so. As a result, I was not able to determine the impact that any adjustments would have on the impairment amount stated at R1 688 million (2018: R1 688 million) in note 43 to the separate financial statements.

Deferred tax asset and taxation

26. I was unable to obtain sufficient appropriate audit evidence for taxation and deferred tax assets as the group did not have an adequate system in place to ensure that the deferred tax calculation was supported by sufficient appropriate audit evidence. I was unable to determine the correct adjustments to the tax losses and other temporary differences, as required by IAS 12, *Income taxes*, because it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to taxation and deferred tax asset as disclosed in notes 34 and 35 to the consolidated and separate financial statements, respectively.

Aircraft and other deposits

27. I was unable to obtain sufficient appropriate audit evidence for maintenance reserves as the underlying accounting records were not presented for auditing. I was unable to confirm these maintenance reserves by alternative means.

    In addition, I was unable to obtain sufficient appropriate audit evidence for security deposits as the financial statements did not agree with the underlying accounting records due to a lack of adequate internal control systems and processes to reconcile the underlying accounting records with the consolidated and separate financial statements.

    I was unable to determine the value of the misstatement, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to aircraft and other deposits stated at R3 772 million and R2 847 million in note 13 to the consolidated and separate financial statements, respectively.

Investments

28. I was unable to obtain sufficient appropriate audit evidence for investments, as the underlying accounting records relating to the investment in the employee share trust were not presented for auditing. I was unable to confirm these investments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investments stated at R35 million in note 46 to the separate financial statements.

Inventories

29. SAAT did not provide sufficient appropriate audit evidence for inventories due to the status of accounting records. I was unable to confirm these inventories by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to inventories stated at R992 million (2018: R1 042 million; 2017: R867 million) in note 38 to the consolidated financial statements.

Trade and other receivables

30. I was unable to obtain sufficient appropriate audit evidence that trade and other receivables had been properly accounted for as the financial statements did not agree with the underlying accounting records due to a lack of adequate internal control systems and processes to reconcile the underlying accounting records with the consolidated and separate financial statements. In addition, the Group did not adequately assess the allowance for impairment in accordance with IFRS 9, *Financial Instruments* I was not able to quantify the impact of the misstatement, as it was impracticable to do so.

31. During 2018, the Group did not ensure that the bank clearing accounts were reconciled regularly. Transactions related to GSA trade receivables were not cleared out, of these accounts leaving the trade and other receivable balance misstated. I was not able to quantify the impact of the misstatement, as it was impracticable to do so. My audit opinion on the financial statements for the period ended 31 March 2018 was modified accordingly. My audit opinion on the current year financial statements was modified because of the possible effect of this matter on the comparability of the trade and other receivables for the current period.

32. I was unable to confirm the trade and other receivables balance by alternative means and other receivables stated at R2 501 million (2018: R3 049) and R2 343 million (2018: R2 866 million) in note 21 to the consolidated and separate financial statements, respectively.

Cash and cash equivalents

33. I was unable to obtain sufficient appropriate audit evidence that foreign bank accounts included as part of cash and cash equivalents had been properly accounted for due to the status of record keeping. I was unable to confirm these foreign bank accounts by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the cash and cash equivalent stated at R1 979 million and R1 775 million in note 22 to the consolidated and separate financial statements, respectively.

Long-term loans

34. I was unable to obtain sufficient appropriate audit evidence for long-term loans due to third party confirmations not received from some lenders. In addition, I was unable to confirm whether long term loans are complete due to an inadequate internal control system and processes to reconcile the underlying accounting records to the consolidated and separate financial statements. I was unable to confirm these long-term loans by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the long-term loans stated at R11 909 million and R11 901 million in note 24 to the consolidated and separate financial statements, respectively.

Provisions

35. I was unable to obtain sufficient appropriate audit evidence for provisions due to the status of record keeping. I was unable to confirm these provisions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to provisions stated at R2 773 million and R1 902 million in note 15 to the consolidated and separate financial statements, respectively.

Trade and other payables

36. I was unable to obtain sufficient appropriate audit evidence that trade and other payables had been properly accounted for due to the status of record keeping. I was unable to confirm the trade and other payables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to trade and other payables stated at R7 645 million (2018: R8 812 million) and R7 047 million (2018: R7 773 million) in note 25 to the consolidated and separate financial statements, respectively.

37. During 2018, the Group did not ensure that bank clearing accounts were reconciled regularly. Transactions that related to trade and other payables were not cleared out of these accounts, leaving the trade and other payables balance misstated. My audit opinion on the financial statements for the period ended 31 March 2018 was modified accordingly. My audit opinion on the current year financial statements was modified because of the possible effect of this matter on the comparability of the trade and other payables for the current period.

Deferred revenue on ticket sales

38. Mango did not provide sufficient appropriate audit evidence for the deferred revenue on ticket sales due to the status of record keeping. I was unable to confirm the deferred revenue on ticket sales by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the deferred revenue on ticket sales stated at R4 615 million in note 16 to the consolidated financial statements.

Restatements

39. I was unable to obtain sufficient appropriate audit evidence for the restatements of the corresponding figures of the various financial statement line items, as described in note 5 to the financial statements. I was unable to obtain sufficient appropriate audit evidence by alternative means. Consequently, I was unable to determine whether any adjustments were necessary for each financial statement item affected by the restatement of corresponding figures per note 5 to the consolidated and separate financial statements.

Commitments

40. I was unable to obtain sufficient appropriate audit evidence regarding the completeness of commitments as the group did not maintain adequate records of unrecognised contractual commitments in accordance with IAS 1 *Presentation of Financial Statements* and IAS 38 *Intangible Assets*. I was unable to obtain sufficient appropriate audit evidence by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to commitments stated at R91 million and R70 million in note 17 to the consolidated and separate financial statements, respectively.

41. The group did not correctly calculate and disclose operating lease commitment in accordance with IAS 17, *Leases*. The commitments disclosure balance included misstatements relating to contracts that had expired due to inadequate systems of internal controls. Consequently, the commitments balance is overstated by R321 million in note 17 to the consolidated and separate financial statements.

Directors' emoluments for SAA subsidiaries

42. I was unable to obtain sufficient appropriate audit evidence for directors emoluments for SAA subsidiaries due to the status of record keeping. I was unable to confirm directors emoluments for the SAA subsidiaries by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to directors emoluments for SAA subsidiaries as disclosed in note 33 to the consolidated financial statements.

Irregular expenditure

43. Section 55(2)(b)(i) of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) requires the public entity to include particulars of irregular expenditure incurred in the notes to the financial statements. The group did not include all irregular expenditure incurred in the notes to the financial statements due to inadequate controls to maintain complete records of irregular expenditure. I was unable to determine the value of the misstatement, as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm irregular expenditure incurred, as well as the condoned or written off by relevant authority included in note 42 to the consolidated and separate statements due to the status of record keeping. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure stated at R25 390 million (2018: R22 060 million) and R19 703 million (2018: R19 120 million) in note 42 to the consolidated and separate financial statements, respectively.

Fruitless and wasteful expenditure

44. Section 55(2)(b)(i) of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) requires the public entity to include particulars of fruitless and wasteful expenditure in the notes to the financial statements. The group did not include all fruitless and wasteful expenditure incurred in the notes to the financial statements due to inadequate controls to maintain complete records of fruitless and wasteful expenditure. I was unable to determine the value of the misstatement, as it was impracticable to do so. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the fruitless and wasteful expenditure stated at R177 million (2018: R24 million) and R16 million (2018: R14 million) in note 42 to the consolidated and separate financial statements, respectively.

Related parties

45. I was unable to obtain sufficient appropriate audit evidence to determine whether the group fully disclosed related-party relationships and/or the transactions and balances with these parties, as well as the remuneration of key management personnel, due to inadequate internal controls for the identification and accurate recording of all related party transactions. I could not confirm this by alternative means. Consequently, I was unable to determine whether any adjustments were necessary for related-party disclosure in note 49 in the consolidated and separate financial statements.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

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

47. I draw attention to note 51 to the financial statements, which indicates that the SAA exited business rescue on 30 April 2021. The disclosure outlines the plans of the entity, including the route expansion plan, the sale of 51% controlling stake to a strategic equity partner, and the related envisaged investments from the shareholders. As stated in note 51, these events or conditions, along with the other matters as set forth in note 50, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.

OTHER MATTER

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

Business rescue proceeding

49. SAA Company was placed under business rescue on the 05 December 2019 in terms of section 129(1) of the Companies Act, 2008 (Act No. 71 of 2008) (Companies Act). The business rescue plan was adopted on the 14 July 2020 by affected persons as required by 152(2) of the Companies Act. The substantial implementation of the plan was concluded on the 30 April 2021 by joint business rescue practitioners in terms of s152(8) of the Companies Act.

Strategic Equity Partnership

50. As disclosed in note 50 to the financial statements, the shareholder is embarking on a process to dispose 51 percent stake in SAA and the preferred strategic equity partner has been identified. The sale is not yet finalised as there are outstanding regulatory approvals.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

51. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

52. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

AUDITOR–GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

53. My responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

54. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other ethical requirements that are relevant to my audit of the consolidated and separate financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

55. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

56. I could not perform the audit as the annual performance report was not prepared as required by section 55(3)(d) of the PFMA.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

57. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

58. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and annual report

59. Financial statements were not submitted for auditing within two months after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.

60. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and were not supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.

Strategic planning and performance management

61. An annual shareholder's compact, including the mandated key performance measures, was not concluded in consultation with the executive authority as required by Treasury Regulation 29.2.1. and 29.2.2.

SOE oversight and governance

62. Approved audited financial statements were not filed with the annual return, as required by section 33(1)(a) of the Co Act and 30(2) of the Companies Regulation.

Procurement and contract management

63. I was unable to obtain sufficient appropriate audit evidence that all contracts and quotations were awarded in accordance with the legislative requirements. Management could not provide the information for audit purposes due to poor record keeping and the loss of key personnel within the supply chain unit.

64. Some of the goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.

65. I was unable to obtain sufficient appropriate audit evidence that commodities designated for local content and production, were procured from suppliers who comply with the requirements for local production and content, as required by the 2017 Preferential Procurement Regulation 8(5).

Consequence management

66. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

67. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into fruitless and wasteful expenditure.

68. I was unable to obtain sufficient appropriate audit evidence that investigations were conducted into all allegations of financial misconduct committed by officials, as required by treasury regulation 33.1.1.

Expenditure management

69. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b) (ii) of the PFMA. As reported in the basis for the disclaimer of opinion, the value disclosed in note 42 of the financial statements does not reflect the full extent of the irregular expenditure incurred.

70. Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for disclaimer of opinion, the value disclosed in note 42 of the financial statements does not reflect the full extent of the fruitless and wasteful expenditure incurred.

Revenue management

71. I was unable to obtain sufficient appropriate audit evidence that effective and appropriate steps were taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

INTERNAL CONTROL DEFICIENCIES

72. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information, and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report, and the findings on compliance with legislation included in this report.

73. As indicated under the "other matter" paragraph above, the entity was under business rescue from 05 December 2019 to 30 April 2021. Due to the solvency and liquidity challenges that preceded the business rescue process and the lengthy duration of the business rescue process, the accounting authority only prepared and submitted financial statements for auditing more than three years after the legislated deadline.

74. During and after the business rescue, there were no measures implemented to preserve skills and capacity in the finance function. This affected the credibility of the financial statements prepared as the experienced personnel with knowledge of the entities' financial records left the company during the business rescue process. This was highlighted by the lack of ownership and accountability for accurate and complete financial records and financial reporting at a component level, and further indicates a lack of financial oversight, monitoring, and review of component financial information.

75. Post the business rescue process, management and those charged with governance have not established an appropriate organisational structure to facilitate an effective control environment for reliable financial reporting and to ensure that financial statements and compliance activities are supported by appropriate records.

76. Management did not implement effective action plans to ensure that all material prior-year audit misstatements and compliance findings are remediated appropriately. The accounting authority did not exercise adequate oversight over those responsible for the design and implementation of effective action plans. We identified material misstatements to the financial statements submitted for audit as well as restatements to the prior year financial results. The financial reporting controls were not adhered to, to ensure the reporting of IFRS-compliant financial information that is based on accurate and complete financial records.

77. Regular reconciliations were not always adequately prepared for financial items during the year. This resulted in the entity being required to rely on manual reconciliations at year-end. Due to the volume of manual reconciliations required, assurance processes were not implemented in time to ensure that information was accurate and complete. As a result, the external auditors identified a number of errors in the reconciliations.

78. The entity did not implement proper record keeping in a timely manner to ensure that complete, relevant, and accurate information is accessible and available to support financial reporting. Furthermore, records were manually stored, and the storage of some physical documents was not centralised. Inadequate record keeping resulted in a limitation of scope.

79. The accounting authority did not exercise adequate oversight over the financial statements before submitting them for audit.

80. The accounting authority and management did not exercise adequate oversight regarding compliance and related internal controls to ensure that adequate controls are in place to detect and prevent non-compliance with legislation.

81. Management did not implement adequate controls over information technology systems to ensure the reliability of the systems and the availability, accuracy, and protection of information. Information technology systems were inadequately configured and allowed for controls to be easily circumvented without any mitigations put in place.

82. The accounting authority and management did not have adequate procedures and processes to ensure that the shareholder's compact was concluded and agreed upon in consultation with the executive authority. As a result annual performance report was not prepared.

OTHER REPORTS

83. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the group's financial statements, compliance with applicable legislation, and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

84. Ongoing investigations were conducted by the Special Investigating Unit in terms of Presidential Proclamation R.2 of 2020. In terms of the proclamation, the SIU was directed to investigate:

- The procurement of or contracting for the Airbus aircraft; Maintenance, repair, and operations services South African Airways Technical services (SAAT); Legal services in terms of RFQ-GSM073/19 and RFQ-GSM117/14 (Panel); and Service providers to support and expedite the implementation of SAA's Turn Around Plan in terms of RFQ-GSM015/18 and RFQ - GSM094/18.
- Maladministration in the affairs of SAA relating to travel rebate benefits; payments made to SAA vendors; and the implementation of a 30% Broad-Based Black Economic Empowerment (B-BBEE) supplier set aside initiative in respect of the supply and delivery of jet fuel.
- Any irregular, improper, or unlawful conduct by officials or employees of the SAA or any other person or entity.

85. These investigations are still ongoing, while some identified possible criminal activities have already been referred to the Hawks for criminal investigations.

Auditor - General

Pretoria
09 November 2023

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Group and Company statement of profit or loss and other comprehensive income

for the year ended 31 March 2019

		GROUP			COMPANY		
R MILLION	Notes	2019	2018 Restated*	2017 Restated*	2019	2018 Restated*	2017 Restated*
Total income		**26 992**	29 406	30 789	**23 875**	26 738	28 399
Airline revenue	5 & 6	**26 008**	28 105	29 313	**22 695**	25 192	26 539
Other income	5 & 7	**984**	1 301	1 476	**1 180**	1 546	1 860
Operating costs		**29 943**	32 071	33 428	**26 294**	29 773	31 244
Aircraft lease costs	5 & 8	**3 218**	3 350	3 103	**2 841**	3 158	3 022
Accommodation and refreshments	5	**1 075**	1 222	1 409	**1 329**	1 506	1 711
Commissions and network charges		**1 509**	1 793	1 894	**1 399**	1 685	1 798
Electronic data costs	5	**701**	642	680	**685**	631	666
Fuel and other energy costs	5	**8 016**	7 359	7 365	**6 987**	6 648	6 735
Employee benefit expenses	5 & 29	**6 589**	6 140	6 130	**4 289**	4 025	4 012
Maintenance costs	5	**3 548**	4 392	4 812	**4 178**	5 951	6 181
Navigation, landing and parking fees		**1 856**	2 046	2 429	**1 546**	1 807	2 161
Fair value and translation movements	40	**(558)**	829	1 092	**(542)**	804	1 081
Other operating costs	5	**3 989**	4 298	4 514	**3 582**	3 558	3 877
Operating loss before interest, tax, depreciation and amortisation	8	**(2 951)**	(2 665)	(2 639)	**(2 419)**	(3 035)	(2 845)
Depreciation and amortisation	9	**(1 004)**	(775)	(1 033)	**(899)**	(692)	(953)
Impairments	11	**(1 190)**	(568)	26	**(1 178)**	73	(906)
Net (loss)/gain on disposal of property, aircraft and equipment	10	**(5)**	(43)	7	**(1)**	26	18
Operating loss		**(5 150)**	(4 051)	(3 639)	**(4 497)**	(3 628)	(4 686)
Finance costs	19	**(1 432)**	(1 472)	(1 630)	**(1 399)**	(1 473)	(1 663)
Interest income	20	**54**	87	40	**62**	50	12
Loss before taxation		**(6 528)**	(5 436)	(5 229)	**(5 834)**	(5 051)	(6 337)
Taxation	34	**45**	(49)	(210)	**–**	–	–
Loss for the year		**(6 483)**	(5 485)	(5 439)	**(5 834)**	(5 051)	(6 337)
Other comprehensive income/(loss):							
Remeasurements of defined benefit plans*		**1**	1	(11)	**1**	1	(11)
Gains on property revaluations*		**–**	–	173	**–**	–	67
Change in value of available–for–sale financial asset**		**–**	6	6	**–**	6	6
Taxation related to components of other comprehensive income	34	**–**	–	(30)	**–**	–	–
Other comprehensive income for the year net of taxation	41	**1**	7	138	**1**	7	62
Total comprehensive loss		**(6 482)**	(5 478)	(5 301)	**(5 833)**	(5 044)	(6 275)
Total comprehensive loss attributable to:							
Owners of the parent		**(6 482)**	(5 478)	(5 301)	**(5 833)**	(5 044)	(6 275)
		(6 482)	(5 478)	(5 301)	**(5 833)**	(5 044)	(6 275)

* *This item may not subsequently be reclassified to profit or loss.*
** *This item may subsequently be reclassified to profit or loss.*

Group and Company statement of financial position

as at 31 March 2019

		GROUP			COMPANY		
R MILLION	**Notes**	**2019**	**2018 Restated***	**2017 Restated***	**2019**	**2018 Restated***	**2017 Restated***
Assets							
Non–current assets							
Property, aircraft and equipment	12	**3 741**	4 291	4 574	**2 310**	2 806	3 114
Intangible assets	37	**194**	213	244	**59**	81	224
Investments in subsidiaries	43	**–**	–	–	**2 134**	2 134	336
Deferred tax asset	35	**50**	12	41	**–**	–	–
Aircraft and other deposits	13	**3 228**	2 261	2 684	**2 587**	2 040	2 617
Retirement benefit asset	30	**11**	22	26	**11**	22	26
		7 224	6 799	7 569	**7 101**	7 083	6 317
Current assets							
Inventories	5, 38	**992**	1 042	867	**72**	100	89
Amounts receivable from subsidiaries	44	**–**	–	–	**434**	–	1 212
Derivatives	14	**–**	2	34	**–**	2	34
Trade and other receivables	5, 21	**2 501**	3 049	3 976	**2 343**	2 866	3 919
Aircraft and other deposits	13	**544**	400	696	**260**	315	659
Current tax receivable	36	**74**	40	16	**–**	–	–
Investments	46	**35**	35	29	**35**	35	29
Cash and cash equivalents	5, 22	**1 979**	1 635	2 600	**1 775**	1 325	2 212
		6 125	6 203	8 218	**4 919**	4 643	8 154
Non–current assets classified as held–for–sale and assets of disposal groups	12	**–**	99	99	**–**	99	99
Total assets		**13 349**	13 101	15 886	**12 020**	11 825	14 570
Equity and liabilities							
Equity							
Equity attributable to equity holders of parent							
Share capital	47	**12 892**	12 892	12 892	**13 126**	13 126	13 126
Shareholder contribution	48	**15 000**	10 000	–	**15 000**	10 000	–
Reserves		**954**	953	946	**454**	453	446
Accumulated Loss	5	**(43 366)**	(36 883)	(31 712)	**(42 759)**	(36 925)	(32 188)
		(14 520)	(13 038)	(17 874)	**(14 179)**	(13 346)	(18 616)
Non–current liabilities							
Long–term loans	24	**6**	786	7 804	**–**	785	7 800
Retirement benefit obligation	30	**117**	113	121	**117**	113	121
Provisions	15	**1 466**	2 707	2 328	**910**	2 693	2 314
Deferred revenue on ticket sales	5, 16	**469**	568	668	**469**	568	668
Other long–term liabilities	31	**810**	206	316	**747**	143	253
		2 868	4 380	11 237	**2 243**	4 302	11 156
Current liabilities							
Derivatives	14	**–**	–	1	**–**	–	1
Trade and other payables	5, 25	**7 645**	8 812	8 227	**7 047**	7 773	7 723
Provisions	15	**1 307**	1 049	1 096	**992**	928	995
Current portion of long–term loans	24	**11 903**	7 662	8 140	**11 901**	7 659	8 133
Deferred revenue on ticket sales	5, 16	**4 146**	3 408	4 375	**3 935**	3 193	4 158
Bank overdraft	23	**–**	828	684	**–**	828	663
Amounts payable to subsidiaries	5, 45	**–**	–	–	**81**	488	357
		25 001	21 759	22 523	**23 956**	20 869	22 030
Total liabilities		**27 869**	26 139	33 760	**26 199**	25 171	33 186
Total equity and liabilities		**13 349**	13 101	15 886	**12 020**	11 825	14 570

Group and Company statement of changes in equity

for the year ended 31 March 2019

R MILLION	Share capital	Shareholder contribution	Other reserves*	Revaluation reserve	Shareholder restructuring fund	Total share capital and reserves	Accumulated loss	Total equity
GROUP								
Balance at 1 April 2017 – Restated*	12 892	–	(103)	982	67	13 838	(31 712)	(17 874)
Total comprehensive income for the year	–	–	7	–	–	7	(5 485)	(5 478)
Contribution made by shareholder during the year	–	10 000	–	–	–	10 000	–	10 000
Opening balance adjustment to accumulated loss as a result of the adoption of IFRS 9 and IFRS 15***	–	–	–	–	–	–	314	314
Balance at 1 April 2018 – Restated*	12 892	10 000	(96)	982	67	23 845	(36 883)	(13 038)
Total comprehensive income for the year	**–**	**–**	**1**	**–**	**–**	**1**	**(6 483)**	**(6 482)**
Contribution made by shareholder during the year	**–**	**5 000**	**–**	**–**	**–**	**5 000**	**–**	**5 000**
Balance at 31 March 2019	**12 892**	**15 000**	**(95)**	**982**	**67**	**28 846**	**(43 366)**	**(14 520)**

* *The opening accumulated loss balance at 1 April 2017 of R31 702 million was restated to R31 712 million. Similarly, the opening accumulated loss balance at 1 April 2018 of R37 126 million was restated to R36 883 million. This was due to prior year restatements as detailed in Note 5.*

** *Other reserves relate to amounts recognised in other comprehensive income, except for any changes in the revaluation surplus/deficit, which are recognised in the revaluation reserve.*

*** *During the 2018/2019 financial year, South African Airways SOC Limited adopted the provisions of IFRS 9 and IFRS 15, application of these standards was retrospective with resulting adjustments relating to prior years being made to the accumulated loss balance at 1 April 2018. Please refer to Note 5 for more details.*

R MILLION	Share capital	Shareholder contribution	Other reserves*	Revaluation reserve	Shareholder restructuring fund	Total share capital and reserves	Accumulated loss	Total equity
COMPANY								
Balance at 1 April 2017 – Restated*	13 126	–	(103)	482	67	13 572	(32 188)	(18 616)
Total comprehensive income for the year	–	–	7	–	–	7	(5 051)	(5 044)
Contribution made by shareholder during the year	–	10 000	–	–	–	10 000	–	10 000
Opening balance adjustment to accumulated loss as a result of the adoption of IFRS 9 and IFRS 15***	–	–	–	–	–	–	314	314
Balance at 1 April 2018 – Restated*	13 126	10 000	(96)	482	67	23 579	(36 925)	(13 346)
Total comprehensive income for the year	**–**	–	**1**	**–**	**–**	**1**	**(5 834)**	**(5 833)**
Contribution made by shareholder during the year	**–**	**5 000**	**–**	**–**	**–**	**5 000**	**–**	**5 000**
Balance at 31 March 2019	**13 126**	**15 000**	**(95)**	**482**	**67**	**28 580**	**(42 759)**	**(14 179)**

* *The opening accumulated loss balance at 1 April 2017 of R32 198 million was restated to R32 188 million. Similarly, the opening accumulated loss balance at 1 April 2018 of R37 213 million was restated to R36 925 million. This was due to prior year restatements as detailed in Note 5.*

** *Other reserves relate to amounts recognised in other comprehensive income, except for any changes in the revaluation surplus/deficit, which are recognised in the revaluation reserve.*

*** *During the 2018/2019 financial year, South African Airways SOC Limited adopted the provisions of IFRS 9 and IFRS 15, application of these standards was retrospective with resulting adjustments relating to prior years being made to the accumulated loss balance at 1 April 2018. Please refer to Note 5 for more details.*

Group and Company statement of cash flows

for the year ended 31 March 2019

		GROUP			COMPANY		
R MILLION	Notes	2019	2018 Restated*	2017 Restated*	2019	2018 Restated*	2017 Restated*
Cash flows from operating activities							
Cash (used in)/generated from operations	18	**(5 544)**	(1 112)	(13)	**(5 563)**	(1 317)	195
Interest and dividend income		**54**	87	40	**62**	50	12
Finance costs		**(1 432)**	(1 472)	(1 630)	**(1 399)**	(1 473)	(1 663)
Realised gains/(losses) from derivative financial instruments		**31**	20	116	**31**	20	116
Currency and jet fuel option premium spend		**(26)**	(22)	(136)	**(26)**	(22)	(136)
Tax paid	36	**(31)**	(58)	(9)	**(4)**	(14)	(9)
Net cash outflow from operating activities		**(6 948)**	(2 557)	(1 632)	**(6 899)**	(2 756)	(1 485)
Cash flows from investing activities							
Additions to property, aircraft and equipment	12	**(864)**	(626)	(997)	**(826)**	(562)	(885)
Proceeds on disposal of property, aircraft, equipment and intangible assets	12, 37	**421**	8	45	**423**	231	43
Additions to intangible assets	37	**(27)**	(21)	(44)	**(9)**	(19)	(39)
Acquisition of shares in subsidiaries		**–**	–	–	**–**	(1 418)	–
Repayment of loans by subsidiaries		**–**	–	–	**–**	1 378	–
Net cash outflow from investing activities		**(470)**	(639)	(996)	**(412)**	(390)	(881)
Cash flows from financing activities							
Proceeds from contribution made by the shareholder during the year		**5 000**	10 000	–	**5 000**	10 000	–
External borrowings raised		**8 507**	104	2 257	**8 500**	1 482	2 257
External borrowings repaid		**(5 003)**	(7 575)	(353)	**(5 000)**	(8 946)	(350)
Movement in bank overdraft		**(828)**	144	661	**(828)**	165	663
Net cash inflow from financing activities		**7 676**	2 673	2 565	**7 672**	2 701	2 570
Net (decrease)/increase in cash and cash equivalents		**258**	(523)	(63)	**361**	(445)	204
Cash and cash equivalents at the beginning of the year		**1 635**	2 600	2 644	**1 325**	2 212	1 987
Foreign exchange effect on cash and cash equivalents		**86**	(442)	19	**89**	(442)	21
Cash and cash equivalents at the end of the year	22	**1 979**	1 635	2 600	**1 775**	1 325	2 212

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Group and company annual financial statements of South African Airways SOC Limited (the Group and the company), have been prepared in accordance with International Financial Reporting Standards (IFRS) , the Companies Act No 71 of 2008 and the Public Finance Management Act No 1 of 1999 (as amended) (PFMA). National Treasury has exempted major public entities under Schedule 2 of the PFMA from preparing financial statements according to SA GAAP (Generally Accepted Accounting Practice) in terms of Treasury Regulation 28.1.6 and section 79 of the PFMA until further notice. The Group and company annual financial statements are presented in South African rand, which is the Group's reporting currency, rounded to the nearest million. The Group and company annual financial statements have been prepared on an historical cost basis, except for measurement at fair value of certain financial instruments and the revaluation of land and buildings as described further in the accounting policy notes below.

The financial statements are prepared on the basis of the accounting policies applicable to a going concern. This basis presumes that the company will continue to receive the support of its Shareholder and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. Full disclosure relating to the directors' going concern assessment can be found in Note 51.

These accounting policies are consistent with the previous period.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Goodwill

Goodwill represents the excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the acquisition date. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On disposal of a subsidiary, the attributable goodwill is included in the determination of the profit or loss on disposal.

Foreign currency transactions

For the purpose of the Group and company annual financial statements, the results and financial position of each entity are expressed in South African rand, which is the presentation currency for the Group and company annual financial statements.

In preparing the annual financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the ruling rates of exchange, which are taken as being the International Air Transport Association (IATA) five-day average rate applicable to the transaction month. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income.

Revenue

Airline revenue consists of passenger revenue, freight and mail revenue, revenue from technical services, Voyager income, commission received on interline and code-share transactions, the release of prescribed tickets, fuel levies and taxes relating to expired unutilised air tickets and the release of unredeemed expired Voyager miles.

Revenue is recognised to depict the transfer of promised services to customers, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Recognition of revenue

The Group recognises revenue when (or as) the Group satisfies a performance obligation by transferring a promised service to a customer.

Passenger air ticket and cargo air waybill sales, net of discounts, are initially recognised as current liabilities in the Air Traffic Liability account and only recognised as revenue when (or as) the performance obligation to transfer promised services to the customer in the form of air transportation services has been satisfied.

The transportation of airline passengers is a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Accordingly, revenue from the transportation of airline passengers is recognised over time.

The transportation of freight and mail is a performance obligation that is satisfied at a point in time as it does not meet the criteria for a performance obligation satisfied over time. Accordingly, revenue from the transportation of freight and mail is recognised at the point in time when the performance obligation is satisfied. The performance obligation is satisfied when the customer has accepted the freight or mail and the Group has a present right to payment for the service provided.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from the release of fares, levies and taxes relating to unutilised tickets

Air tickets not utilised on flight date represent breakage. The expected breakage revenue is recognised at the same time as the revenue from the particular flight is recognised. The estimate is based on historical statistics and data that takes into account the terms and conditions for various ticket types.

Revenue from commission received

SAA provides a ticketing service to other airlines. Commission is earned on interline transactions, but is only recognised as revenue when the passenger utilises the ticket.

Measurement of revenue

When (or as) a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with IFRS 15 paragraphs 56 – 58) that is allocated to that performance obligation.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes).

The Group allocates a discount proportionately to all performance obligations in the contract except when there is observable evidence that the entire discount relates to only one or more, but not all, performance obligations in a contract.

Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Principal versus agent considerations

The Group has identified the specified goods or services to be provided to the customer as air transportation services.

The Group has assessed that it controls the air transportation service, and is therefore the principal, in all instances where it is the operating carrier for the flight. The Group is an agent in instances where it is the issuer of the ticket and the customer is made aware of the other party that will be operating the particular flight. The only exception where the Group is the principal even though it is not the operating carrier for the flight is when the Group is the issuer of the ticket and the customer is not made aware of the other party that will be operating the flight.

Incremental costs of obtaining a contract

At the time when a ticket is sold the Group incurs costs in relation to sales agent commissions. IFRS 15 paragraph 91 requires an entity to recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. Sales agent commissions are recoverable when a ticket is refunded. As such, past history of tickets refunded after the end of the financial year could be used to estimate the amount of commission costs that can be recognised as an asset. IFRS 15 paragraph 94 provides a practical expedient that allows an entity to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less. Tickets issued by the Group have a validity period of one year from the date of issue, subject to the first travel occurring within the said period. The Group has elected to use this practical expedient. Accordingly, sales agent commissions are expensed when incurred.

Frequent flyer programme

SAA operates a frequent flyer programme, SAA Voyager, which provides awards to programme members based on a mileage credit for flights on SAA and other airlines that participate in the programme. Members can also accrue and redeem miles with non-airline programme partners. Cargo users accumulate equivalent awards based on freight transported.

Consideration for the provision of Voyager awards consists of annual participation fees, service fees, the sale of miles to Voyager airline and non-airline partners, as well as a portion of the ticket price of SAA flights sold to Voyager members. The participation fees and service fees are recognised as revenue immediately when they become due and payable. The deferred revenue method has been adopted for revenue recognition relating to the sale of miles to airline and non-airline partners. Income arising from the sale of miles to airline and non-airline partners is accounted for as deferred revenue in the statement of financial position and recognised as revenue when SAA fulfils its obligations on redemption of the accrued miles for free or discounted goods or services on airline and non-airline partners and on redemption and utilisation for free services on SAA.

SAA accounts for award credits issued on SAA flights as a separately identifiable component of the sales transaction in which they are earned. The consideration in respect of the initial sale is allocated to award credits based on their stand-alone selling price and is accounted for as a liability (deferred revenue) in the Group and company statement of financial position. The stand-alone selling price is determined with reference to the value of the awards for which miles have been redeemed during the last 12 months. Revenue on estimated mileage expiry is recognised in proportion to the pattern of rights as exercised by programme members.

Technical maintenance

Revenue from maintenance services rendered external to the Group on a power by the hour basis is recognised as revenue when services are rendered based on maintenance events. Revenue is deferred until the maintenance event takes place. Other maintenance services rendered on a time and material basis are recognised as revenue when services are rendered by reference to the stage of completion of the transaction.

Other income

Other income relates to income received from aircraft handling fees, income from leased assets, income from cancellation penalties and administration fees on refunded tickets, income from change service fees on exchanged tickets, and income from other recoveries. Income is recognised in profit or loss in the period in which the transaction to which it relates arises.

Interest income

Interest earned on arrear accounts and bank/other investment balances is accrued on a time proportionate basis.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

MAINTENANCE COSTS

Owned aircraft

Major airframe and engine overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the expected life between major overhauls. All other replacement spares and other expenditure relating to maintenance of owned fleet assets is charged to profit or loss on consumption or as incurred.

Major overhauls are considered to be those programmes that extend the useful life of the asset or increase its value. Major maintenance events typically consist of more complex inspections and servicing of the aircraft.

Leased aircraft

Provision is made for aircraft maintenance expenditure which the Group incurs in connection with major airframe and engine overhauls on operating leased aircraft, where the terms of the lease imposes obligations on the lessee to have these overhauls carried out. Provision for expenditure to meet the contractual return conditions is also included. The actual expenditure on the overhauls is charged against the provision when incurred. Any residual balance is transferred to profit or loss. All other replacement spares and other expenditure relating to maintenance of leased fleet assets is charged to profit or loss on consumption or as incurred.

Power by the hour

Expenditure for engine overhaul costs covered by power by the hour (fixed rate charged per hour) maintenance agreements is charged to profit or loss over the life of the contract.

Sundry return costs

With regards to leased aircraft, where the Group has an obligation to return the aircraft with adherence to certain maintenance conditions, provision is made during the lease term. The provision is based on the present value of the expected future costs of meeting the maintenance return conditions. The present value of non-maintenance return conditions is provided for at the inception of the lease and an equal asset is capitalised and depreciated over the lease.

Maintenance reserve: Group and Company as lessee

Maintenance reserves are payments made to lessors in terms of the aircraft lease contract. The lessors are contractually obligated to reimburse the Group and company for the qualifying maintenance expenditure incurred on aircraft if the Group and company has a maintenance reserves credit. Maintenance reserves are recognised as an asset. The recoverability of the asset is assessed annually against the entity's ability to claim against future maintenance events. Where it is deemed that the entity will be unable to claim for a future maintenance event, the maintenance reserve payments are expensed accordingly.

Reimbursement amounts are only recognised as assets in respect of maintenance costs to be reimbursed if the work has been performed and it is probable that the amounts claimed are recoverable in terms of the aircraft lease contract and based on the available balance in the maintenance reserve account.

The reimbursement amounts claimed from lessors in respect of qualifying maintenance are transferred to receivables until actually received.

Maintenance reserve: Company as lessor

Where the company leases aircraft to a subsidiary company, appropriate maintenance payments are included in the lease agreements. The maintenance amounts received by the company are recognised as revenue as and when they become due from the lessee.

The provision for maintenance claim liability, limited to the maintenance reserves credits, is raised by the company on receipt of a valid claim for reimbursement in respect of qualifying maintenance costs by the lessee.

TAXATION

Income tax expense represents the sum of the current tax and deferred tax.

Current tax

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the Group and company statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Group and company financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises on the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred tax is also recognised in other comprehensive income. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

PROPERTY, AIRCRAFT AND EQUIPMENT

Owned assets

Land and buildings

Land and buildings are shown at fair value based on valuations performed by external independent valuers, less subsequent accumulated depreciation and accumulated impairment losses for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation and accumulated impairment losses at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Aircraft

Aircraft are stated at cost less accumulated depreciation and any recognised impairment losses. Cost includes buyer furnished equipment (BFE) costs and is net of manufacturer's discount/credits, with subsequent additions to or renewal of exchangeable units also stated at cost. Cost includes any fair value gains or losses resulting from hedging instruments used to hedge the acquisition of the underlying asset, which qualify for hedge accounting. Where there are deferred payment terms, the cost is the cash price equivalent.

Other property, machinery and equipment

All other property, machinery and equipment, including unit leading devices, are stated at cost less accumulated depreciation and any recognised impairment losses. Equipment includes major spare parts and standby equipment to the extent that SAA is expected to use them in more than one accounting period.

Depreciation

Depreciation is not provided on assets in the course of construction or on land. All other property and equipment are depreciated by recording a charge to profit or loss, computed on a straight-line basis so as to write off the cost of the assets less the anticipated residual value over their estimated useful lives.

When parts of an item of property, aircraft and equipment have different useful lives, those components are identified and the useful lives and residual values are estimated for each component. Where the useful lives for the identified components are similar, those are aggregated and depreciated as one component by applying the useful life relevant to that significant component.

The residual value, depreciation method and the useful life of each asset or component thereof is reviewed at least at each financial year end and any difference is treated as a change in accounting estimate in accordance with IAS 8.

The following annual rates are applicable:

Asset class	Useful lives
Aircraft and simulators	5 to 20 years
Buildings and structures	10 to 50 years
Furniture	10 years
Office equipment	5 to 10 years
Computer equipment	3 to 5 years
Light motor vehicles	5 years
General purpose vehicles	10 years
Containers	5 years
Machinery	15 to 20 years
Cabin loaders	10 to 20 years
Leased assets	Shorter period of lease or useful life.
Restoration assets	Shorter period of lease or useful life.

Residual values

Residual values of all asset classes represent the most reliable estimate of the amount that will be recovered when the asset is fully depreciated. Residual values are reviewed annually and any difference is treated as a change in accounting estimate in accordance with IAS 8.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital work in progress

Capital work in progress are assets (tangible and intangible) being constructed over periods of time in excess of the present reporting period. These assets often require extensive development, installation work or integration of various assets, in contrast with simpler assets that are ready for use when acquired, such as motor vehicles and equipment. Capital work in progress is not depreciated as the airline is not currently deriving any economic benefits from these items.

Exchangeable units

Exchangeable units are high value components that are classified as equipment and are depreciated accordingly. The cost of repairing such units is charged to profit or loss as and when incurred.

Disposal of assets

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss when the risks and rewards related to the assets are transferred to the buyer.

LEASEHOLD IMPROVEMENTS

Land and buildings

Improvements to leased premises are recognised as an asset and depreciated over the period of the lease term, or the useful life of the improvements, whichever is shorter.

Aircraft

In cases where the aircraft held under operating leases are fitted with BFE at the cost of the company, the BFE acquired is recognised as an asset (leasehold improvements) and depreciated over its useful life or over the period of the lease term, whichever is shorter.

Accounting for leases

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

Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Manufacturers' credits that represent a portion of manufacturers' cash incentives which have not been taken into account in determining the lease rentals payable on operating leased aircraft are initially recognised as liabilities and are amortised on a straight-line basis over the lease term to reduce the net rental expense payable.

Initial rentals represent amounts paid to the lessor in advance. These are recognised as prepaid lease payments at the commencement of the lease and are amortised on a straight-line basis over the lease term.

Group as lessor

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

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

NON-CURRENT ASSETS HELD-FOR-SALE

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount 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 non-current 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.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less cost of disposal.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets assessed to have indefinite useful lives and goodwill are not amortised but are tested for impairment at each reporting period.

The intangible assets with finite useful lives are amortised from the date they are available for use applying the following rates:

Intangible asset class	Useful lives
Application software	3 to 5 years
Internet booking site	5 years

Derecognition of intangible assets

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

Any subsequent expenditure on capitalised intangible assets is capitalised only when it meets the recognition criteria of an intangible asset. All other expenditure is expensed as incurred.

IMPAIRMENTS

Intangible assets

Intangible assets are tested for impairment whenever there are circumstances that indicate that the carrying value may not be recoverable. Intangible assets that have not yet been brought into use or have an indefinite useful life, including goodwill, will be reviewed for impairment at least on an annual basis.

Tangible assets

The carrying amounts of the Group's tangible assets, which mainly consist of property, aircraft and equipment, are reviewed at each statement of financial position date to determine whether there is any indication that those assets have been impaired. If there is any indication that an asset may be impaired, its recoverable amount is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Calculation of recoverable amount

The recoverable amount is the higher of the asset's fair value less cost of disposal and its value in use. In assessing the value in use, the estimated future cash flows 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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Reversal of impairments

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately. An impairment loss in respect of goodwill is not reversed in subsequent periods.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as trade receivables, loans originated by the Group, fixed deposits and defeasance deposits.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate method, except for trade and other receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified as at fair value through profit or loss, loans and receivables or held-to-maturity investments.

This category includes listed and unlisted investments, except for investments in subsidiaries.

After initial recognition, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised directly in other comprehensive income.

With disposal of financial assets, the accumulated gains and losses recognised in other comprehensive income resulting from measurement at fair value are recognised in profit or loss. If a reliable estimate of the fair value of an unquoted equity instrument cannot be made, this instrument is measured at cost less any impairment losses.

Dividends received from these investments are recognised in profit or loss when the right of payment has been established. Fair value is determined as stated in Note 28.1.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading. These mainly include derivative financial assets and commodity derivatives. A financial asset is classified as held-for-trading if it has been acquired principally for the purposes of selling in the near future, is a derivative that is not designated and effective as a hedging instrument and it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

After initial recognition, these financial assets are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest on the financial asset. Fair value is determined as stated in Note 28.1.

Derivative financial instruments

The Group uses derivative financial instruments, such as foreign currency contracts, currency options, commodity derivative swaps, options and collars, to manage its risks associated with foreign currency fluctuations and underlying commodity fluctuations. The Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are classified as held-for-trading financial assets or financial liabilities.

The Group's derivatives normally have a maturity period of 12 months or less and are therefore presented as current assets or current liabilities.

Embedded derivatives in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Investments

Investments in subsidiaries are recognised on a trade date basis and are initially recognised at cost. After initial recognition, the company's investments in subsidiaries will continue to be held at cost and are reviewed annually for impairment.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, short-term deposits, bank overdrafts and highly liquid investments and are initially measured at fair value and subsequently measured at amortised cost.

Hedge accounting

The Group does not hedge account as its hedging activities do not meet the criteria for hedge accounting as set out in IAS 39.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate method basis for debt instruments other than those financial assets classified as at FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, because of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For categories of financial assets, such as trade receivables, impairment is assessed on an individual basis. Any assets that are assessed not to be impaired on an individual basis are subsequently assessed for impairment on a portfolio basis. The assets are grouped in a portfolio, taking into consideration similar credit risk characteristics. The objective evidence of impairment for a portfolio of receivables normally includes the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of between 60 to 90 days, depending on the defined credit risk assessment for each type of debtor. Any dispute of amount receivable from the debtor is also considered as part of impairment indicators. For more details refer to Note 21.

For loans and deposits carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced using an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights of the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished. When available-for-sale assets and assets held-for-trading are sold, they are derecognised and a corresponding receivable is recognised at the date the Group commits the assets. Loans and receivables are derecognised on the day the risks and rewards of ownership are transferred.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (eg when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Group's equity instruments comprise company shares issued. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

If the entity reacquires its own equity instruments, these instruments are classified as treasury shares and any consideration paid is recognised as a direct reduction from equity. The gains or losses on purchase, sale, issue or cancellation of treasury shares are recognised directly in other comprehensive income.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities primarily include trade and other payables, bank overdrafts, interest bearing borrowings from financial institutions denominated in local currency and other liabilities such as finance lease obligations.

Other financial liabilities are subsequently measured at amortised cost, with the exception of finance lease obligations, which are measured in terms of IAS 17 Leases (refer to “Accounting policy on leases”).

Financial liabilities at fair value through profit or loss are classified as held-for-trading. A financial liability is classified as held-for-trading if it is a derivative not designated and effective as a hedging instrument. Financial liabilities held-for-trading are subsequently stated at fair value, with any gains and losses recognised in profit or loss. Fair value is determined in a manner described in Note 28.1.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. The inventory held by the Group relates mainly to maintenance inventories, other consumables and work in progress.

Redundant and slow moving inventories are identified on a regular basis and written down to their realisable values. Consumables are written down with regard to their age, condition and utility.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision will be reassessed at each statement of financial position date taking into account the latest estimates of expenditure required and the probability of the outflows. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability except those that have been taken into account in the estimate of future cash flows. Where discounting is used, the increase in a provision due to the passage of time is recognised as an interest expense.

A provision is used only for the expenditures for which the provision was originally recognised.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Reimbursements

Where the Group expects a provision to be reimbursed by a third party, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Restructuring provision

A restructuring provision is recognised when the Group has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The obligation to restructure arises when management has made a decision to restructure and a detailed formal plan for restructuring is put in place, an announcement to stakeholders is made and valid expectation to those affected has been raised that it will be carried out or has started to be implemented before the statement of financial position date.

Provision for lease liabilities

For aircraft held under operating lease agreements, SAA is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the airframe, engines and life-limited parts upon return. In order to fulfil such conditions of the lease, maintenance in the form of major airframe overhaul, engine maintenance checks, and restitution of major life-limited parts is required to be performed during the period of the lease and upon return of the aircraft to the lessor. The estimated airframe and engine maintenance costs and the costs associated with the restitution of major life-limited parts are accrued and charged to profit or loss over the lease term for this contractual obligation.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYEE BENEFITS

Pension benefits

The Group operates two defined benefit funds as well as various defined contribution funds. The assets of each scheme are held separately from those of the Group and are administered by the schemes' trustees. The funds are actuarially valued by professional independent consulting actuaries.

The Group's contributions to the defined contribution fund are charged to profit or loss during the year in which they relate.

The benefit costs and obligations under the defined benefit fund are determined separately for each fund using the projected unit credit method. The benefit costs are recognised in profit or loss. Remeasurements of defined benefit plans are recognised in the period in which they occur outside of profit or loss in other comprehensive income.

Past service costs are recognised immediately in profit or loss.

When the benefits of a plan are improved, the portion of the increased benefit relating to past services by the employees is recognised as an expense immediately in profit or loss. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets.

Post-retirement medical benefits

Post-retirement medical benefits are provided by the Group to qualifying employees and pensioners. The benefit medical costs are determined through annual actuarial valuations by independent consulting actuaries using the projected unit credit method.

Short- and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, is recognised during the period in which the employee renders the related service.

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. This obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it has demonstrated its commitment either to terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits because of an offer made to encourage voluntary redundancy.

FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE

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

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

RELATED PARTIES

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or jointly control the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

Related parties also include key management personnel who are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.

COMPARATIVE FIGURES

The comparative information, with the exception of the restatements as disclosed in Note 5, is consistent with the prior year.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the Group has adopted the following new standards and interpretations that are effective for the current financial year. For the impact of the new standards and interpretations effective and adopted in the current year, please refer to Note 5 for more details.

Standard/interpretation	Effective date: years beginning on or after	Summary of changes
IFRS 9, *Financial Instruments*, finalised version incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	1 January 2018	The application of IFRS 9 changes the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model will lead to more economic hedging strategies meeting the requirements for hedge accounting.
IFRS 15, *Revenue from contracts with customers*	1 January 2018	Reassessment of revenue and interest recognition specifically relating to long-term contracts and impacts timing of profit recognition on long-term contracts within the statement of profit or loss and other comprehensive income.
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018	These amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. The adoption of this standard did not have a significant effect on SAA's annual financial statements.

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group has chosen not to early adopt the following standards and interpretations which have been published and are only mandatory for the Group's accounting periods beginning on or after 1 April 2019. The standards and interpretations included below only include those that the directors believe may have an impact on the Group, the quantum of which cannot be reliably estimated.

Standard/interpretation	Impact	Effective date: years beginning on or after
IFRS 16, *Leases*	The accounting for leases which will result in the recognition of the obligation and asset for long-term leases. The adoption of this standard is likely to have a significant effect on SAA's annual financial statements. Please refer below for a detailed assessment of the effect of the standard on the annual financial statements.	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	No significant impact expected.	1 January 2019
Amendments to IFRS 9, *Prepayment features with negative compensation*	No significant impact expected.	1 January 2019
Amendments to IAS 19, *Plan amendment, curtailment or* settlement	As the amendments apply prospectively to plan amendments, curtailments or settlements that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering a plan amendment, curtailment or settlement after first applying the amendments might be affected. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2019
Annual Improvements Project: IAS 12 Income Taxes, *Income tax consequences of payments on financial instruments classified as equity*	The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2019
Annual Improvements Project: IAS 23 Borrowing Costs, *Borrowing costs eligible for capitalisation*	The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2019

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE *(continued)*

Standard/interpretation	Impact	Effective date: years beginning on or after
Conceptual Framework for Financial Reporting	The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2020
Definition of a Business – Amendments to IFRS 3	Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2020
Definition of Material – Amendments to IAS 1 and IAS 8	Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2020

EFFECT OF THE ADOPTION OF IFRS 16, *LEASES* ON THE ANNUAL FINANCIAL STATEMENTS

IFRS 16, *Leases* will be adopted by the Group from 1 April 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. The Group has a number of operating leases for assets including aircraft, property and other equipment. Details of the Group's current operating lease commitments are disclosed in Note 17.

The main changes arising on the adoption of IFRS 16 will be as follows:

1. Interest-bearing borrowings and non-current assets will increase on implementation of the standard as obligations to make future payments under leases currently classified as operating leases will be recognised on the statement of financial position, along with the related 'right-of-use' (ROU) asset. The Group has opted to use the practical expedients in respect of leases of less than 12 months' duration and leases for low value items and excluded them from the scope of IFRS 16. Rental payments associated with these leases will be recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the life of the lease.

2. There will be a reduction in expenditure on operations and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expense.

3. The adoption of IFRS 16 will require the Group to make a number of judgements, estimates and assumptions. These include:

   - **The approach to be adopted on transition**

     The Group will use the modified retrospective transition approach. Lease liabilities will be determined based on the appropriate incremental borrowing rates and rates of exchange at the date of transition (1 April 2019). ROU assets in respect of aircraft will be measured based on the related lease liability. These assets will be depreciated from the lease commencement date to the statement of financial position date. IFRS 16 does not allow comparative information to be restated if the modified retrospective transition approach is used.

   - **The estimated lease term**

     The term of each lease will be based on the original lease term unless management is 'reasonably certain' to exercise options to extend the lease. Further information used to determine the appropriate lease term includes fleet plans which underpin approved business plans and historic experience regarding extension options.

   - **The discount rate used to determine the lease liability**

     The rates used on transition to discount future lease payments are the Group's incremental borrowing rates. These rates have been calculated by fleet type, reflecting the underlying lease terms and based on observable inputs. For future lease obligations, the Group is proposing to use the interest rate implicit in the lease.

   - **Restoration obligations**

     The Group has identified certain obligations associated with the maintenance condition of its aircraft on redelivery to the lessor, such as the requirement to complete a final airframe check, repaint the aircraft and reconfigure the cabin. These have been recognised as part of the ROU asset on transition. Judgement has been used to identify the appropriate obligations and estimation has been used (based observable data) to measure them. Other maintenance obligations associated with these assets, comprising obligations that arise as the aircraft is utilised, such as engine overhauls and periodic airframe checks, will continue to be recognised as a maintenance expense over the lease term.

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE *(continued)*

EFFECT OF THE ADOPTION OF IFRS 16, *LEASES* ON THE ANNUAL FINANCIAL STATEMENTS *(continued)*

4. For future reporting periods after adoption, foreign exchange movements on lease obligations, which are predominantly denominated in US dollars, will be remeasured at each statement of financial position date, however the ROU asset will be recognised at the historic exchange rate. This will create volatility in the statement of profit or loss and other comprehensive income. The Group intends to manage this volatility as part of its risk management strategy.

IMPACT OF ADOPTION

On adoption of the standard, the Group expects no adjustment to retained earnings as at 1 April 2019, due to the fact that the ROU assets will be initially measured based on the related lease liability. The indicative effect of IFRS 16 will result in an aggregated increase in non-current assets of about R11,6 billion, with the biggest asset category affected being Fleet. The Group expects an increase to interest-bearing borrowings of about R740 million.

3. SIGNIFICANT JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

USEFUL LIVES, DEPRECIATION METHOD AND RESIDUAL VALUES OF PROPERTY, AIRCRAFT AND EQUIPMENT

The Group assesses the useful lives, depreciation method and residual values of property, aircraft and equipment at each reporting date. The useful lives of all assets, all residual values and the depreciation method remained unchanged as they were deemed to be appropriate.

MAINTENANCE RESERVES EXPENSED

Maintenance reserves prepayments unutilised at the expiry of the lease term are not refundable. The Group estimates the unutilised balance that is likely to remain at the end of the lease term based on planned events and assumed consumed life of leased aircraft and their components between year end and the lease expiry date and uses this estimate as the basis for expensing maintenance reserve payments. The recognition of the maintenance reserves assets and values thereof are subject to critical judgements followed by management. The difference between the net maintenance reserve and the claimable major maintenance is the consumed life. The critical judgements that management had to make are with regards to how much of the maintenance reserves outstanding will not be utilised by the end of the lease term and how much will be claimed from lessors. To do this Management needed to estimate when the next event will happen in order to determine if the next event is likely to happen after the end of the lease term. Management generally looks at the scheduled events and the time elapsed since the last event to estimate when the next event will happen.

PROVISION FOR LEASE LIABILITIES

For aircraft held under operating lease agreements, the Group is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the airframe, engines and life-limited parts upon return. In order to fulfil such conditions of the lease, maintenance in the form of major airframe overhaul, engine maintenance checks and restitution of major life-limited parts is required to be performed during the period of the lease and upon return of the aircraft to the lessor. The estimated airframe and engine maintenance costs and the costs associated with the restitution of major life-limited parts, are accrued and charged to profit or loss over the lease term for this contractual obligation.

The contractual obligation to maintain and replenish aircraft held under operating leases exists independently of any future actions within the control of the Group. These elements of accounting policies involve the use of estimates in determining the quantum of both the initial maintenance asset and/or the amount of provisions to be recorded and the respective periods over which such amounts are charged to profit or loss. The major sources of estimation uncertainty, regarding the calculation of the provision include the price at which the life limited parts will be replaced based on current prices, the quantity of the limited life parts that will need to be replaced, the cost of the next event regarding the major maintenance and the expected timing of the next event. The occurrence of major events is either time or activity based, therefore the time that has passed or activity that has been consumed since the last event also required management's judgement. At the inception of the lease management need to estimate the cost of returning the aircraft to the condition required by lessors including the costs of painting the aircraft and replacing certain components which affect both the restoration asset and the related provision. In making such estimates the Group has primarily relied on its own and industry experience, industry regulations and recommendations from manufacturers. However these estimates can be subject to revision depending on a number of factors such as the timing of the planned maintenance, the ultimate utilisation of the aircraft, changes to government and international regulations and increases or decreases in estimated costs. The Group evaluates its estimates and assumptions in each reporting period and when warranted adjusts its assumptions which generally impact maintenance and depreciation expense in the statement of profit or loss and other comprehensive income on a prospective basis.

ALLOWANCE FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

In 2017, Zimbabwe experienced a severe shortage of US Dollars, leading to a currency liquidity crisis where the country was unable to meet the demand of US dollars for settlement and cash repatriation by various international companies that provided services and goods across various industries, i.e. health sector, energy sector, banking, aviation sector, etc. SAA was severely impacted, both the cash from direct sales and the cash settlements through IATA were trapped in Zimbabwe as the Government imposed harsh repatriation restrictions.

In 2020, The Reserve Bank of Zimbabwe issued an instruction to IATA for a transfer of legacy owed funds to Airlines to be registered under the Central Bank and further instructed Commercial Banks in Zimbabwe to deposit all funds denominated in foreign currency to the Central Bank, which included SAA's funds from the direct sales. By the end of December 2020 SAA was owed a significant amount (USD 67,7 million) via the IATA sales channels. Despite engagements between both SAA senior management and an IATA senior delegation with the Reserve Bank of Zimbabwe, repatriation of funds has been limited. For this reason, SAA took a decision to impair the full amount relating to IATA sales trapped in Zimbabwe. This resulted in an impairment of R1,1 billion in the 2019 financial year. As and when any funds are repatriated the impairment is reversed.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

FREQUENT FLYER PROGRAMME

SAA accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits based on their stand-alone selling price and is accounted for as a liability (deferred revenue) in the Group and company statement of financial position.

Estimation techniques are used to determine the stand-alone selling price of award credits. Since the redemption value is available the Redemption Value Approach is utilised in estimating the stand-alone selling price of award credits. A weighted average value per mile is derived based on past experience of the mix of rewards selected by Voyager members. A 12-month historical trend forms the basis of the calculations. The number of award credits not expected to be redeemed by members is also factored into the estimation of the stand-alone selling price.

Professional judgement is exercised by management due to the diversity of inputs that go into determining the stand-alone selling price of the award credits and due to the possibility that the trend may change over time. A one percent variance in the weighted average deferral value for all the buckets of outstanding miles equates to a movement of R9,6 million (2018: R9,6 million) in the outstanding mileage liability in the statement of financial position.

The carrying amount of long-term frequent flyer deferred revenue at year end was R469 million (2018: R568 million) and the carrying amount of short-term frequent flyer deferred revenue was R488 million (2018: R391 million). Please refer to Note 16 for more details regarding the frequent flyer deferred revenue.

ALLOWANCE FOR SLOW MOVING, DAMAGED AND OBSOLETE INVENTORIES

An allowance to write-down inventories to the lower of cost or net realisable value. Management have made estimates of the selling price and direct costs to sell on certain inventory items. The write-down is included in Note 11.

AIRPORT TAXES

Included in the cost of the airfare charged by SAA to a passenger, is a separate charge specified on the airline ticket as a Passenger Service Charge (PSC). The PSC included on the airline ticket is the amount as published in the Government Gazette from time to time, Publication of Airport Charges, in terms of the Airports Company Act, which is a VAT inclusive amount. The PSC is collected on behalf of and payable to the Airports Company South Africa SOC Limited (ACSA) in terms of the Airports Company Act. Industry-wide it is the practice and understanding that the airlines act in the capacity as agent for ACSA as ACSA has no means to collect the PSC directly from the passenger.

The PSC is reflected on the airline ticket under the tax code “ZA”. When an airline ticket is sold by SAA, the PSC is reflected (in line with airline practice) as a creditor in the statement of financial position of SAA as an amount owing to ACSA. When ACSA invoices SAA in respect of the PSC for airline tickets flown and SAA pays the amount invoiced by ACSA, SAA reduces the amount owing to ACSA on its statement of financial position accordingly. The PSC’s charged or received are accordingly not reflected as revenue by SAA in its statement of profit or loss and other comprehensive income. When SAA pays the PSC to ACSA in respect of airline tickets flown, SAA also does not reflect such amounts as expenses in its statement of profit or loss and other comprehensive income. SAA accordingly receives invoices from ACSA exclusive of VAT. SAA carries out a review of the PSC in respect of unflown tickets for periods older than 36 months. SAA then reduces the ACSA creditor account in its statement of financial position by the unflown PSC amounts older than 36 months and reflects the amount as income in its statement of profit or loss and other comprehensive income. The understanding within the industry is that as the airlines incur costs such as merchant’s fees in the collection of the PSC on behalf of ACSA and do not on-charge these costs, the “breakage” in respect of the PSC remains with the airline.

In 2005 in the BA court case, the judgements handed down by the SCA supports a view that the PSC is charged by the airline to its passengers for its own benefit and account, ie as principal, and that it is then paid over by the airline to ACSA as the principal obligator. On 6 September 2005, subsequent to the SCA judgement in the BA case, SARS issued its draft Interpretation Note (IN) and briefing note that sets out its interpretation and application of the VAT legislation with regard to statutory charges levied on aircraft passengers. In the draft IN SARS expresses a view which differs from the conclusion reached by the SCA in the BA case and states that ACSA renders a service to the passengers in respect of which the PSC is charged and the airline simply collects the PSC from passengers on behalf of ACSA. The draft IN stated further that the airline carrier is accordingly not required to account for output tax on PSC collected from the passengers and is also not entitled to claim any input tax deductions in respect of the invoices received from ACSA. The VAT treatment as outlined by SARS in the draft IN is the position which has been adopted by ACSA, SAA and other airlines to date.

5. RESTATEMENTS

The Group and company annual financial statements have been prepared in accordance with International Financial Reporting Standards. The basis is consistent with the prior year except for restatements reflected below.

RECLASSIFICATIONS

During the current financial year, management decided to change certain general ledger account classifications in the annual financial statements in order to achieve a more accurate presentation in the Group and company annual financial statements. As a result of these reclassifications, the prior years were restated retrospectively in terms of IAS 8, *Changes in Accounting Policies, Accounting Estimates and Errors*. The annual financial statement line items affected by these reclassifications were trade and other receivables, trade and other payables, deferred revenue on ticket sales, airline revenue, other income, fuel and other energy costs and maintenance costs. The above reclassifications did not have an effect on the loss previously reported in the prior years.

ALLOWANCE FOR IMPAIRMENT (TRADE AND OTHER RECEIVABLES)

The opening accumulated loss for the reporting period has been increased by R110 million due to SAA opting to apply IFRS 9 retrospectively by recognising the cumulative effect of first application at the date of initial application. The standard has been applied retrospectively to all trade and other receivables balances as at 1 April 2018. The allowance for impairment and accumulated loss have been restated accordingly.

COMMISSION COSTS

Commission costs are costs to obtain a contract. These include credit card commissions, overriding commissions and sales commissions to agents. Paragraph 91 of IFRS 15, *Revenue from Contracts with Customers*, which came into effect for financial periods beginning on or after 1 January 2018, requires an entity to recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. Paragraph 94 of the same standard provides a practical expedient which allows an entity to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would otherwise have recognised is one year or less.

The Group has chosen to use this practical expedient as the validity period for all tickets issued is one year from the date of issue subject to first travel occurring within the said period.

As a result, overriding commissions and sales commissions which were previously capitalised and expensed at the time of uplift will now be recognised as an expense at the time of sale.

The Group has chosen the method of applying this standard retrospectively with the cumulative effect of initially applying this standard recognised as an adjustment to the opening balance of accumulated loss of the annual reporting period commencing on 1 April 2018.

The affected balances for prepayments, deferred revenue on ticket sales and accumulated loss have been restated accordingly.

CUSTOMERS' UNEXERCISED RIGHTS (BREAKAGE)

A coupon that the Group issues to a customer gives the customer a right to receive a service in the future. A contract right that a customer does not exercise is referred to as breakage. IFRS 15 paragraph B46 requires an entity to recognise the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. As a result of this, the opening balance of accumulated loss of the annual period commencing on 1 April 2018 has been restated with the amount of expected breakage revenue from unutilised coupons as at 31 March 2018. The affected balances for deferred revenue on ticket sales and accumulated loss have been restated accordingly.

FREQUENT FLYER DEFERRED REVENUE

The opening accumulated loss for the reporting period has been reduced by R193 million due to SAA opting to apply IFRS 15 retrospectively by recognising the cumulative effect of first application at the date of initial application. The standard has been applied retrospectively to uncompleted contracts as at 1 April 2018. The affected balances for deferred revenue on ticket sales and accumulated loss have been restated accordingly.

OTHER CORRECTIONS AND RESTATEMENTS

During the current financial year, management decided to write-off old accruals and payables that were no longer valid at 31 March 2019, as well as claim for VAT that was previously expensed. As a result of the above, the prior years were restated retrospectively in terms of IAS 8, *Changes in Accounting Policies, Accounting Estimates and Errors*. Please refer below for the various annual financial statement line items affected by these adjustments.

5. RESTATEMENTS (continued)

The aggregate effect of the restatements on the Group and company annual financial statements for the year ended 31 March 2017 and 31 March 2016 is as follows:

		GROUP		COMPANY	
R MILLION	**Notes**	**2019**	**2018**	**2019**	**2018**
STATEMENT OF FINANCIAL POSITION					
Maintenance inventories	38				
Previously stated		**1 298**	1 321	**–**	–
Writing off old payables and accruals		**(5)**	(5)	**–**	–
Restated balance		**1 293**	1 316	**–**	–
Consumables	38				
Previously stated		**196**	173	**121**	101
Writing off old payables and accruals		**(16)**	(7)	**(21)**	(12)
Restated balance		**180**	166	**100**	89
Gross accounts receivable	21				
Previously stated		**2 604**	2 426	**2 425**	2 282
Reclassification to prepayments		**(19)**	(26)	**(19)**	(26)
Writing off old payables and accruals		**(7)**	–	**(7)**	–
Restated balance		**2 578**	2 400	**2 399**	2 256
Allowance for impairment	21				
Previously stated		**(109)**	(85)	**(97)**	(72)
Adjustment to allowance for impairment due to IFRS 9 adoption		**(110)**	–	**(110)**	–
Restated balance		**(219)**	(85)	**(207)**	(72)
Prepayments	21				
Previously stated		**885**	1 627	**854**	1 697
Reclassification from gross accounts receivable		**19**	26	**19**	26
Adjustment to commission costs due to IFRS 15 adoption		**(71)**	–	**(71)**	–
Writing off old payables and accruals		**(54)**	(32)	**(25)**	(6)
Restated balance		**779**	1 621	**777**	1 717
Foreign bank accounts	22				
Previously stated		**1 359**	2 145	**1 417**	2 150
Writing off old payables and accruals		**1**	–	**1**	–
Restated balance		**1 360**	2 145	**1 418**	2 150
Domestic bank accounts	22				
Previously stated		**288**	455	**(80)**	62
Writing off old payables and accruals		**(13)**	–	**(13)**	–
Restated balance		**275**	455	**(93)**	62
Accumulated loss					
Previously stated		**(37 126)**	(31 702)	**(37 213)**	(32 198)
Adjustment to previously reported loss		**(61)**	16	**(36)**	15
Prior year effect of restatements		**(10)**	(26)	**10**	(5)
Adjustment to commission costs due to IFRS 15 adoption		**(76)**	–	**(76)**	–
Adjustment to breakage revenue due to IFRS 15 adoption		**307**	–	**307**	–
Adjustment to frequent flyer deferred revenue due to IFRS 15 adoption		**193**	–	**193**	–
Adjustment to allowance for impairment due to IFRS 9 adoption		**(110)**	–	**(110)**	–
Restated balance		**(36 883)**	(31 712)	**(36 925)**	(32 188)

		GROUP		COMPANY	
R MILLION	**Notes**	**2019**	**2018**	**2019**	**2018**
5. RESTATEMENTS (continued)					
Frequent flyer deferred revenue – long-term	16				
Previously stated		**678**	668	**678**	668
Adjustment to frequent flyer deferred revenue due to IFRS 15 adoption		**(110)**	–	**(110)**	–
Restated balance		**568**	668	**568**	668
Trade payables	25				
Previously stated		**2 065**	1 601	**1 838**	1 606
Reclassification to other payables		**(1)**	(1)	**(1)**	(1)
Reclassification to payroll accruals		**(58)**	(57)	**(7)**	(9)
Writing off old payables and accruals		**12**	28	**23**	34
Restated balance		**2 018**	1 571	**1 853**	1 630
Payroll accruals	25				
Previously stated		**941**	949	**692**	705
Reclassification from trade payables		**58**	57	**7**	9
Restated balance		**999**	1 006	**699**	714
Ticket tax accruals	25				
Previously stated		**1 188**	1 361	**1 082**	1 271
Writing off old payables and accruals		**(3)**	–	**(3)**	–
Restated balance		**1 185**	1 361	**1 079**	1 271
Other payables	25				
Previously stated		**3 237**	2 990	**2 797**	2 809
Reclassification from trade payables		**1**	1	**1**	1
Reclassification to net air traffic liability SAA – short-term		**(3)**	(1)	**(3)**	(1)
Writing off old payables and accruals		**(32)**	(62)	**(60)**	(62)
Restated balance		**3 203**	2 928	**2 735**	2 747
Net air traffic liability SAA – short-term	16				
Previously stated		**3 316**	3 881	**3 101**	3 664
Reclassification from other payables		**3**	1	**3**	1
Adjustment to commission costs due to IFRS 15 adoption		**5**	–	**5**	–
Adjustment to breakage revenue due to IFRS 15 adoption		**(307)**	–	**(307)**	–
Restated balance		**3 017**	3 882	**2 802**	3 665
Frequent flyer deferred revenue – short-term	16				
Previously stated		**474**	493	**474**	493
Adjustment to frequent flyer deferred revenue due to IFRS 15 adoption		**(83)**	–	**(83)**	–
Restated balance		**391**	493	**391**	493
Amounts payables to subsidiaries (SAA Technical SOC Limited)	45				
Previously stated		**–**	–	**412**	–
Writing off old payables and accruals		**–**	–	**1**	–
Restated balance		**–**	–	**413**	–

R MILLION	Notes	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018

5. RESTATEMENTS (continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

R MILLION	Notes	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Passenger revenue	6				
Previously stated		**19 088**	19 675	**16 759**	17 610
Writing off old payables and accruals		**(13)**	–	**(13)**	–
Restated amount		**19 075**	19 675	**16 746**	17 610
Technical services	6				
Previously stated		**583**	705	**2**	1
Reclassification to other recoveries		**(2)**	–	**(2)**	–
Restated amount		**581**	705	**–**	1
Other recoveries	7				
Previously stated		**1 044**	1 190	**1 205**	1 429
Reclassification from technical services		**2**	–	**2**	–
Writing off old payables and accruals		**6**	1	**1**	–
Restated amount		**1 052**	1 191	**1 208**	1 429
Aircraft lease costs	8				
Previously stated		**3 333**	3 103	**3 141**	3 022
Writing off old payables and accruals		**17**	–	**17**	–
Restated amount		**3 350**	3 103	**3 158**	3 022
Accommodation and refreshments					
Previously stated		**1 213**	1 413	**1 497**	1 715
Writing off old payables and accruals		**9**	(4)	**9**	(4)
Restated amount		**1 222**	1 409	**1 506**	1 711
Electronic data costs					
Previously stated		**641**	680	**630**	666
Writing off old payables and accruals		**1**	–	**1**	–
Restated amount		**642**	680	**631**	666
Fuel and other energy costs					
Previously stated		**7 363**	7 368	**6 651**	6 738
Reclassification to maintenance costs		**(2)**	(2)	**(2)**	(2)
Writing off old payables and accruals		**(2)**	(1)	**(1)**	(1)
Restated amount		**7 359**	7 365	**6 648**	6 735
Personnel and labour costs	29				
Previously stated		**5 652**	5 622	**3 684**	3 650
Writing off old payables and accruals		**–**	(1)	**–**	(1)
Restated amount		**5 652**	5 621	**3 684**	3 649
Maintenance costs					
Previously stated		**4 374**	4 810	**5 961**	6 179
Reclassification from fuel and other energy costs		**2**	2	**2**	2
Writing off old payables and accruals		**16**	–	**(12)**	–
Restated amount		**4 392**	4 812	**5 951**	6 181

R MILLION	Notes	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
5. RESTATEMENTS (continued)					
Other operating costs					
Previously stated		4 285	4 523	3 548	3 886
Writing off old payables and accruals		13	(9)	10	(9)
Restated amount		4 298	4 514	3 558	3 877
Loss for the year					
Previously stated		(5 424)	(5 455)	(5 015)	(6 352)
Net result of the above adjustments		(61)	16	(36)	15
Restated loss		(5 485)	(5 439)	(5 051)	(6 337)

6. AIRLINE REVENUE

R MILLION	Notes	GROUP 2019	GROUP 2018 Restated*	GROUP 2017 Restated*	COMPANY 2019	COMPANY 2018 Restated*	COMPANY 2017 Restated*
The analysis of airline revenue for the year is as follows:							
Passenger revenue	5	**17 512**	19 075	19 675	**14 795**	16 746	17 610
Freight and mail		**1 641**	1 775	1 794	**1 639**	1 773	1 791
Technical services	5	**594**	581	705	**–**	–	1
Voyager income	16	**430**	646	813	**430**	646	813
Commission received		**43**	33	39	**43**	32	37
Release from prescribed tickets		**748**	752	559	**748**	752	559
Fuel levies		**5 139**	5 407	6 232	**5 139**	5 407	6 232
Other airline revenue adjustments*		**(99)**	(164)	(504)	**(99)**	(164)	(504)
		26 008	28 105	29 313	**22 695**	25 192	26 539

* *Other airline revenue adjustments comprise inter airline processing offsets and revenue accounting system adjustments.*

7. OTHER INCOME

R MILLION	Notes	GROUP 2019	GROUP 2018 Restated*	GROUP 2017 Restated*	COMPANY 2019	COMPANY 2018 Restated*	COMPANY 2017 Restated*
Other income is made up of the following items:							
Handling fees		**151**	190	191	**43**	52	69
Income from leased assets		**57**	59	94	**288**	286	362
Other recoveries*	5	**776**	1 052	1 191	**849**	1 208	1 429
		984	1 301	1 476	**1 180**	1 546	1 860

* *Other recoveries comprise income associated with ticket cancellations and other miscellaneous income.*

R MILLION	Notes	GROUP 2019	GROUP 2018 Restated*	GROUP 2017 Restated*	COMPANY 2019	COMPANY 2018 Restated*	COMPANY 2017 Restated*
8. OPERATING LOSS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION							
Operating loss before interest, tax, depreciation and amortisation is stated after taking into account among others, the following:							
OPERATING LEASE PAYMENTS							
Aircraft	5	**3 218**	3 350	3 103	**2 841**	3 158	3 022
Buildings		**118**	114	128	**97**	95	104
Equipment and vehicles		**21**	34	34	**17**	29	29
Total operating lease payments		**3 357**	3 498	3 265	**2 955**	3 282	3 155

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
AUDITORS' REMUNERATION				
Audit fees – current year	**46**	43	**33**	32
Total auditors' remuneration	**46**	43	**33**	32

Directors' emoluments and executive management emoluments are disclosed in Note 49.

The Auditor-General's preferred methodology is to reflect audit fees in the period that the audit work was performed. As such the audit fees relating to these annual financial statements will be reflected in the 2022/23 annual financial statements.

R MILLION	Notes	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
9. DEPRECIATION AND AMORTISATION					
Aircraft and simulators		**(824)**	(602)	**(804)**	(590)
Buildings and structures		**(56)**	(47)	**(21)**	(20)
Machinery, equipment and furniture		**(65)**	(69)	**(39)**	(46)
Vehicles and cabin loaders		**(13)**	(14)	**(4)**	(5)
Total depreciation	12	**(958)**	(732)	**(868)**	(661)
Amortisation of intangible assets	37	**(46)**	(43)	**(31)**	(31)
Total depreciation and amortisation		**(1 004)**	(775)	**(899)**	(692)

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
10. NET (LOSS)/GAIN ON DISPOSAL OF PROPERTY, AIRCRAFT AND EQUIPMENT				
Net (loss)/gain on disposal of property, aircraft and equipment comprises the following:				
Profit on disposal of property, aircraft and equipment	**–**	–	**–**	62
Loss on disposal of property, aircraft and equipment	**(5)**	(43)	**(1)**	(36)
	(5)	(43)	**(1)**	26

R MILLION	Notes	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
11. IMPAIRMENTS					
Impairment of loans and receivables held at amortised cost					
Impairment of accounts receivable		**(1 105)**	(39)	**(1 092)**	(40)
Impairment of other assets					
Reversal of impairment/(impairment) of investments in subsidiaries	43	**–**	–	**–**	380
(Impairment)/reversal of impairment of loans to subsidiaries	44	**–**	–	**(1)**	181
Impairment of aircraft	12	**(129)**	(135)	**(129)**	(135)
Impairment arising from write-down of inventory to net realisable value	38	**–**	(81)	**–**	–
Reversal of impairment/(impairment) of cash neutrality advance to South African Express SOC Limited		**44**	(313)	**44**	(313)
		(1 190)	(568)	**(1 178)**	73

R MILLION	2019 Cost/ valuation	2019 Accumulated depreciation/ impairment	2019 Carrying value	2018 Cost/ valuation	2018 Accumulated depreciation/ impairment	2018 Carrying value
12. PROPERTY, AIRCRAFT AND EQUIPMENT						
GROUP						
Land	**704**	**–**	**704**	687	–	687
Buildings and structures	**1 657**	**(363)**	**1 294**	1 432	(174)	1 258
Machinery, equipment and furniture	**980**	**(651)**	**329**	879	(595)	284
Vehicles and cabin loaders	**127**	**(92)**	**35**	131	(91)	40
Aircraft and simulators	**11 263**	**(9 900)**	**1 363**	10 938	(9 236)	1 702
Containers	**30**	**(30)**	**–**	30	(30)	–
Capital work in progress	**16**	**–**	**16**	320	–	320
Total	**14 777**	**(11 036)**	**3 741**	14 417	(10 126)	4 291
COMPANY						
Land	**316**	**–**	**316**	299	–	299
Buildings and structures	**912**	**(298)**	**614**	686	(136)	550
Machinery, equipment and furniture	**411**	**(304)**	**107**	403	(273)	130
Vehicles and cabin loaders	**42**	**(31)**	**11**	47	(32)	15
Aircraft and simulators	**11 060**	**(9 850)**	**1 210**	10 724	(9 131)	1 593
Containers	**29**	**(29)**	**–**	29	(29)	–
Capital work in progress	**52**	**–**	**52**	219	–	219
Total	**12 822**	**(10 512)**	**2 310**	12 407	(9 601)	2 806

R MILLION	Land	Buildings and structures	Machinery, equipment and furniture	Vehicles and cabin loaders	Aircraft and simulators	Containers	Capital work in progress	Total

12. PROPERTY, AIRCRAFT AND EQUIPMENT (continued)

GROUP

R MILLION	Land	Buildings and structures	Machinery, equipment and furniture	Vehicles and cabin loaders	Aircraft and simulators	Containers	Capital work in progress	Total
Reconciliation								
Opening balance	687	1 302	344	48	2 144	–	49	4 574
Additions	–	2	28	8	212	–	376	626
Disposals	–	–	(2)	(2)	(38)	–	–	(42)
Transfers	–	1	(17)	–	121	–	(105)	–
Depreciation	–	(47)	(69)	(14)	(602)	–	–	(732)
Impairment loss	–	–	–	–	(135)	–	–	(135)
Balance at 31 March 2018	687	1 258	284	40	1 702	–	320	4 291
Opening balance	**687**	**1 258**	**284**	**40**	**1 702**	**–**	**320**	**4 291**
Additions	**–**	**9**	**47**	**12**	**768**	**–**	**28**	**864**
Disposals	**–**	**–**	**(1)**	**(4)**	**(421)**	**–**	**–**	**(426)**
Transferred from non-current assets classified as held-for-sale	**17**	**82**	**–**	**–**	**–**	**–**	**–**	**99**
Transfers	**–**	**1**	**64**	**–**	**267**	**–**	**(332)**	**–**
Depreciation	**–**	**(56)**	**(65)**	**(13)**	**(824)**	**–**	**–**	**(958)**
Impairment loss	**–**	**–**	**–**	**–**	**(129)**	**–**	**–**	**(129)**
Balance at 31 March 2019	**704**	**1 294**	**329**	**35**	**1 363**	**–**	**16**	**3 741**

COMPANY

R MILLION	Land	Buildings and structures	Machinery, equipment and furniture	Vehicles and cabin loaders	Aircraft and simulators	Containers	Capital work in progress	Total
Reconciliation								
Opening balance	299	567	142	20	2 060	–	26	3 114
Additions	–	2	23	–	210	–	327	562
Disposals	–	–	(1)	–	(73)	–	–	(74)
Transfers	–	1	12	–	121	–	(134)	–
Depreciation	–	(20)	(46)	(5)	(590)	–	–	(661)
Impairment loss	–	–	–	–	(135)	–	–	(135)
Balance at 31 March 2018	299	550	130	15	1 593	–	219	2 806
Opening balance	**299**	**550**	**130**	**15**	**1 593**	**–**	**219**	**2 806**
Additions	**–**	**2**	**13**	**–**	**704**	**–**	**107**	**826**
Disposals	**–**	**–**	**(3)**	**–**	**(421)**	**–**	**–**	**(424)**
Transferred from non-current assets classified as held-for-sale	**17**	**82**	**–**	**–**	**–**	**–**	**–**	**99**
Transfers	**–**	**1**	**6**	**–**	**267**	**–**	**(274)**	**–**
Depreciation	**–**	**(21)**	**(39)**	**(4)**	**(804)**	**–**	**–**	**(868)**
Impairment loss	**–**	**–**	**–**	**–**	**(129)**	**–**	**–**	**(129)**
Balance at 31 March 2019	**316**	**614**	**107**	**11**	**1 210**	**–**	**52**	**2 310**

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

The category of aircraft includes the refurbishment costs of both the owned and leased aircraft. This refurbishment is amortised over the shorter of the useful life of the refurbished equipment or the lease term of the leased aircraft.

The fair value of land and buildings was determined by an independent external valuation expert during the previous financial year, using the income capitalisation method of valuation. The utilisation of the property in terms of its industrial use was considered to be its highest and best use. A capitalisation rate of 10,5 percent was used in the valuation with comparative rentals in the area being applied in the model. As the valuation includes significant unobservable inputs, it is classified as level 3 in the fair value hierarchy.

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
12. PROPERTY, AIRCRAFT AND EQUIPMENT (continued)				
Asset and disposal groups classified as held-for-sale are as follows:				
Transferred from non-current assets classified as held-for-sale				
Carrying value of land and buildings classified as held-for-sale	–	99	–	99
	–	99	–	99

During the prior year land and buildings (Portion 75 of the Farm Durban Airport No. 14263 (also known as Old Durban Airport Property) was classified as held-for-sale. The negotiations between South African Airways SOC Limited and the buyer fell through during the current financial year. The SAA Board has subsequently decided to take the property off the market and therefore this asset was transferred back to property, aircraft and equipment during the current financial year.

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
13. AIRCRAFT AND OTHER DEPOSITS				
Non-current portion of maintenance reserve receivable	**1 828**	1 415	**1 266**	1 194
Non-current portion of security deposits	**1 400**	846	**1 321**	846
Total non-current aircraft and other deposits	**3 228**	2 261	**2 587**	2 040

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Current portion of maintenance reserve receivable	**481**	263	**197**	200
Current portion of security deposits	**63**	137	**63**	115
Total current aircraft and other deposits	**544**	400	**260**	315

The non-current portion of security deposits, relates to the portion of security deposits paid on aircraft leases, whose lease term will expire more than 12 months after year end. Leases that expire within 12 months of the year end are shown as current security deposits. Also included in non-current security deposits are security deposits paid in respect of Passenger Protection Guarantees, this balance is also expected to be long-term in nature. Non-current maintenance reserves receivable represent amounts that will be received in a period exceeding 12 months, amounts receivable within 12 months after year end are shown as current assets.

Included in aircraft and other deposits are amounts in respect of maintenance payments made to lessors. Below is an analysis of the movements in this balance over the past two financial years. Refer to the accounting policies section for details of the treatment of these claims.

13. AIRCRAFT AND OTHER DEPOSITS (continued)

	GROUP		COMPANY	
R MILLION	**2019**	**2018**	**2019**	**2018**
Maintenance reserve opening balance	**1 678**	2 429	**1 394**	2 329
Claims received	**(550)**	(704)	**(550)**	(704)
Maintenance reserves expensed	**(530)**	(697)	**(316)**	(697)
Maintenance reserves paid	**1 396**	923	**620**	739
Currency revaluation	**315**	(273)	**315**	(273)
Less: Current portion	**(481)**	(263)	**(197)**	(200)
Non-current portion of maintenance reserve receivable	**1 828**	1 415	**1 266**	1 194

Included in aircraft and other deposits are amounts in respect of security deposits paid to aircraft lessors, as well as amounts paid to other parties in respect of Passenger Protection Guarantees. Below is an analysis of the movements in this balance over the past two financial years.

	GROUP		COMPANY	
R MILLION	**2019**	**2018**	**2019**	**2018**
Security deposits opening balance	**983**	951	**961**	947
Security deposits received back from lessor	**(105)**	(42)	**(105)**	(42)
Security deposits paid	**377**	171	**320**	153
Finance income earned	**6**	12	**6**	12
Currency revaluation	**202**	(109)	**202**	(109)
Less: current portion	**(63)**	(137)	**(63)**	(115)
Non-current portion of security deposits	**1 400**	846	**1 321**	846

R MILLION	GROUP AND COMPANY Jet fuel options	Currency derivatives	Total
14. DERIVATIVES			
Assets	–	2	2
Fair value at 1 April 2018	–	2	2
Amounts spent on premiums	**17**	**9**	**26**
Fair value movements for the year ended 31 March 2019	**(17)**	**(11)**	**(28)**
Fair value at 31 March 2019	**–**	**–**	**–**

R MILLION	Provision for lease liabilities[1]	Other provisions[2]	Total
15. PROVISIONS			
GROUP			
Reconciliation			
Opening balance	1 944	1 480	3 424
Additions	3 489	154	3 643
Utilised during the year	(2 661)	(1)	(2 662)
Reversed during the year	(102)	(58)	(160)
Unwinding of the discount	78	–	78
Currency revaluation	(567)	–	(567)
Balance at 31 March 2018	2 181	1 575	3 756
Current portion	621	428	1 049
Non-current portion	1 560	1 147	2 707
	2 181	1 575	3 756
Opening balance	**2 181**	**1 575**	**3 756**
Additions	**1 692**	**132**	**1 824**
Utilised during the year	**(249)**	**(411)**	**(660)**
Reversed during the year	**(1 790)**	**(889)**	**(2 679)**
Unwinding of the discount	**73**	**–**	**73**
Currency revaluation	**460**	**(1)**	**459**
Balance at 31 March 2019	**2 367**	**406**	**2 773**
Current portion	**903**	**404**	**1 307**
Non-current portion	**1 464**	**2**	**1 466**
	2 367	**406**	**2 773**

R MILLION	Provision for lease liabilities[(1)]	Other provisions[(2)]	Total

15. PROVISIONS (continued)

COMPANY

Reconciliation

Opening balance	1 843	1 466	3 309
Additions	3 469	154	3 623
Utilised during the year	(2 661)	(1)	(2 662)
Reversed during the year	(102)	(58)	(160)
Unwinding of the discount	78	–	78
Currency revaluation	(567)	–	(567)
Balance at 31 March 2018	2 060	1 561	3 621
Current portion	500	428	928
Non–current portion	1 560	1 133	2 693
	2 060	1 561	3 621
Opening balance	**2 060**	**1 561**	**3 621**
Additions	**942**	**132**	**1 074**
Utilised during the year	**(249)**	**(411)**	**(660)**
Reversed during the year	**(1 790)**	**(875)**	**(2 665)**
Unwinding of the discount	**73**	**–**	**73**
Currency revaluation	**460**	**(1)**	**459**
Balance at 31 March 2019	**1 496**	**406**	**1 902**
Current portion	**588**	**404**	**992**
Non–current portion	**908**	**2**	**910**
	1 496	**406**	**1 902**

(1) For aircraft held under operating lease agreements, the Group is contractually committed either to return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the airframe, engines and life-limited parts upon return. In order to fulfil such conditions of the lease, maintenance in the form of major airframe overhaul, engine maintenance checks and restitution of major life-limited parts, is required to be performed during the period of the lease and upon return of the aircraft to the lessor. The estimated airframe and engine maintenance costs and the costs associated with the restitution of major life-limited parts, are accrued and charged to profit or loss over the lease term for this contractual obligation.

(2) Other provisions include, but are not limited to, amounts set aside to settle claims against the Group/company arising in the course of its operations. Further information regarding individual claim amounts has not been provided as this may prejudice the Group/company in its ongoing litigation.

		GROUP			COMPANY		
R MILLION	Notes	2019	2018 Restated*	2017 Restated*	2019	2018 Restated*	2017 Restated*

16. DEFERRED REVENUE ON TICKET SALES

Frequent flyer deferred revenue – long-term	5	**469**	568	668	**469**	568	668
Net air traffic liability SAA – short-term	5	**3 658**	3 017	3 882	**3 447**	2 802	3 665
Frequent flyer deferred revenue – short-term	5	**488**	391	493	**488**	391	493
		4 146	3 408	4 375	**3 935**	3 193	4 158

AIR TRAFFIC LIABILITY

This balance represents the unrealised income resulting from tickets and air waybills sold in relation to future flights to be operated by SAA. The balance includes the value of coupons sold by SAA (inclusive of fare and fuel levies), which will be flown in future periods. The liability is of a short-term nature and is reflected as a current liability.

FREQUENT FLYER DEFERRED REVENUE

Deferred revenue relates to the frequent flyer programme and represents the stand-alone selling price of the outstanding credits. Revenue is recognised when SAA fulfils its obligations by supplying free or discounted goods or services on the redemption of award credits. Refer to Notes 1 and 4 for more information.

	GROUP		COMPANY	
R MILLION	**2019**	**2018**	**2019**	**2018**
17. COMMITMENTS				
AUTHORISED CAPITAL EXPENDITURE				
Property, aircraft and equipment	**91**	125	**70**	108
Total approved capital expenditure not contracted	**91**	**125**	**70**	**108**
This committed expenditure relates to property, aircraft and equipment and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures and other sources of funding.				
Operating leases – as lessee (expense)				
Operating lease commitments for property, aircraft, equipment and vehicles are expected to be incurred as follows:				
– within one year	**3 434**	2 629	**2 993**	2 455
– in second to fifth year inclusive	**8 401**	7 392	**7 356**	7 083
– later than five years	**5 087**	5 196	**5 046**	5 196
	16 922	15 217	**15 395**	14 734
Included in the operating lease commitments above are the following US$ based lease commitments. Currency risks associated with these commitments are not hedged. The table below sets out the foreign denominated lease commitments.				
Uncovered lease commitments (US$ million)				
– within one year	**232**	220	**203**	206
– in second to fifth year inclusive	**569**	620	**500**	594
– later than five years	**351**	438	**348**	438
	1 152	1 278	**1 051**	1 238
Operating leases – as lessor (income)				
Operating lease income on leased assets are expected to be received as follows:				
– within one year	**5**	5	**10**	88
– in second to fifth year inclusive	**3**	20	**3**	22
– later than five years	**–**	12	**–**	12
	8	37	**13**	122

R MILLION	GROUP 2019	GROUP 2018 Restated*	GROUP 2017 Restated*	COMPANY 2019	COMPANY 2018 Restated*	COMPANY 2017 Restated*
18. CASH (USED IN)/GENERATED FROM OPERATIONS						
Loss before taxation	**(6 528)**	(5 436)	(5 229)	**(5 834)**	(5 051)	(6 337)
Adjustments for:						
Depreciation and amortisation on property, aircraft and equipment	**958**	732	990	**868**	661	917
Net loss/(gain) on disposal of property, aircraft and equipment	**5**	43	(7)	**1**	(26)	(18)
Amortisation of intangible assets	**46**	43	43	**31**	31	36
Impairment of aircraft	**129**	135	–	**129**	135	–
Impairment/(reversal of impairment) of loans to subsidiaries	**–**	–	–	**1**	(181)	182
Derivative market movements	**(3)**	33	67	**(3)**	33	67
(Reversal of impairment)/impairment of investments in subsidiaries	**–**	–	–	**–**	(380)	696
Interest and dividend income	**(54)**	(87)	(40)	**(62)**	(50)	(12)
Finance costs	**1 432**	1 472	1 630	**1 399**	1 473	1 663
Release from air traffic liability	**(327)**	(411)	(380)	**(327)**	(411)	(380)
Movement in employee benefit obligations	**4**	(8)	(7)	**4**	(8)	(7)
Impairment of accounts receivable	**1 105**	39	24	**1 092**	40	28
Non-cash movement on retirement benefit plans	**1**	1	(11)	**1**	1	(11)
Release from passenger tax levies	**(421)**	(341)	(178)	**(421)**	(341)	(178)
Non-cash movement on shareholder restructuring fund	**–**	–	(7)	**–**	–	(7)
Unrealised foreign exchange (gain)/loss on cash and cash equivalents	**(86)**	442	(19)	**(89)**	442	(21)
Movement in retirement benefit asset	**11**	4	12	**11**	4	12
Tax paid in foreign jurisdictions	**4**	14	9	**4**	14	9
Non-cash movement arising from IFRS retrospective adoption adjustments	**–**	314	–	**–**	314	–
Changes in working capital:						
Aircraft and other deposits	**(1 111)**	719	421	**(492)**	921	512
Movement in engine power by the hour liability	**(87)**	(110)	253	**(87)**	(110)	253
Movement in non-current legal settlements	**691**	–	–	**691**	–	–
Transfer from intangible assets to sundry debtors	**–**	–	10	**–**	–	10
Movement in interest accrual on long-term loans	**(43)**	(25)	(25)	**(43)**	(25)	(25)
Inventories	**50**	(175)	(146)	**28**	(11)	6
Trade and other receivables	**(557)**	888	853	**(1 004)**	1 028	942
Trade and other payables	**(746)**	926	1 684	**(712)**	522	1 984
Air traffic liability	**968**	(454)	370	**972**	(452)	296
Frequent flyer deferred revenue	**(2)**	(202)	(50)	**(2)**	(202)	(50)
Provisions	**(983)**	332	(280)	**(1 719)**	312	(372)
	(5 544)	(1 112)	(13)	**(5 563)**	(1 317)	195

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
19. FINANCE COSTS				
The interest paid related to financial liabilities held at amortised cost is detailed below:				
Interest paid on borrowings	**(1 114)**	(1 278)	**(1 114)**	(1 278)
Interest paid on overdraft	**(318)**	(194)	**(285)**	(177)
Other interest paid	**–**	–	**–**	(18)
	(1 432)	(1 472)	**(1 399)**	(1 473)

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
20. INTEREST INCOME				
Interest and dividend income received was derived from:				
Cash and bank balances	**43**	71	**11**	34
Loans and receivables	**11**	16	**11**	16
Dividend income*	**–**	–	**40**	–
	54	87	**62**	50

* *South African Airways SOC Limited (SAA) received a dividend of R40 million from Mango Airlines SOC Limited (Mango) during the 2018/2019 financial year, as Mango is a subsidiary of SAA, this amount will consolidate out at Group level.*

R MILLION	Notes	GROUP 2019	GROUP 2018 Restated*	GROUP 2017 Restated*	COMPANY 2019	COMPANY 2018 Restated*	COMPANY 2017 Restated*
21. TRADE AND OTHER RECEIVABLES							
Gross accounts receivable	5	**2 549**	2 578	2 400	**2 452**	2 399	2 256
Allowance for impairment	5	**(1 202)**	(219)	(85)	**(1 185)**	(207)	(72)
		1 347	2 359	2 315	**1 267**	2 192	2 184
Prepayments	5	**1 029**	779	1 621	**980**	777	1 717
Foreign exchange differences on trade and other receivables		**125**	(89)	40	**96**	(103)	18
		2 501	3 049	3 976	**2 343**	2 866	3 919

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Reconciliation of impairment of trade and other receivables				
Opening balance	**(219)**	(85)	**(207)**	(72)
Impairments	**(1 105)**	(39)	**(1 092)**	(40)
Amounts utilised for write-offs	**122**	15	**114**	15
IFRS 9 adoption adjustment	**–**	(110)	**–**	(110)
Closing balance	**(1 202)**	(219)	**(1 185)**	(207)

The trade receivables portfolio impairment loss relates to:

- debtors in dispute which are provided for when they become known;
- defaulting Billing and Settlement Plan (BSP) and General Sales Agents (GSA) that have exceeded 90 days past their due date; and
- errors due to differences identified when capturing sales.

21. TRADE AND OTHER RECEIVABLES (continued)

The gross accounts receivable is analysed below based on the risk profile group linked to the nature of the distribution network and the nature of operations within the group. The analysis is based on period past due.

R MILLION	Gross amount	Current not yet past due	Past due but not impaired	Impaired amount
GROUP – 2019				
BSP	**1 893**	**749**	**6**	**1 138**
Credit card	**232**	**146**	**82**	**4**
GSA	**41**	**30**	**5**	**6**
Stations	**7**	**(6)**	**1**	**12**
Cargo freight and mail	**267**	**117**	**127**	**23**
Airline catering	**21**	**15**	**5**	**1**
Travel services	**2**	**2**	**–**	**–**
Technical maintenance	**253**	**42**	**196**	**15**
Alliance partners	**92**	**92**	**–**	**–**
Voyager	**12**	**11**	**1**	**–**
Other trade debtors	**(271)**	**(282)**	**8**	**3**
	2 549	**916**	**431**	**1 202**
COMPANY – 2019				
BSP	**1 893**	**749**	**6**	**1 138**
Credit card	**232**	**146**	**82**	**4**
GSA	**41**	**30**	**5**	**6**
Stations	**7**	**(6)**	**1**	**12**
Cargo freight and mail	**267**	**117**	**127**	**23**
Alliance partners	**92**	**92**	**–**	**–**
Voyager	**12**	**11**	**1**	**–**
Other trade debtors	**(92)**	**(102)**	**8**	**2**
	2 452	**1 037**	**230**	**1 185**
GROUP – 2018				
Restated*				
BSP	1 237	950	273	14
Credit card	246	102	94	50
GSA	252	13	153	86
Stations	6	5	–	1
Cargo freight and mail	287	123	139	25
Airline catering	14	10	3	1
Travel services	2	2	–	–
Technical maintenance	127	61	55	11
Alliance partners	163	149	14	–
Voyager	41	41	–	–
Other trade debtors	203	148	24	31
	2 578	1 604	755	219
COMPANY – 2018				
Restated*				
BSP	1 237	950	273	14
Credit card	246	102	94	50
GSA	252	13	153	86
Stations	6	5	–	1
Cargo freight and mail	287	123	139	25
Alliance partners	163	149	14	–
Voyager	41	41	–	–
Other trade debtors	167	112	24	31
	2 399	1 495	697	207

	GROUP		COMPANY	
R MILLION	**2019**	**2018 Restated***	**2019**	**2018 Restated***
21. TRADE AND OTHER RECEIVABLES (continued)				
Past due but not impaired can be analysed further in terms of ageing as follows:				
30 to 60 days	**246**	149	**130**	130
61 to 90 days	**81**	155	**43**	150
91 to 120+ days	**104**	451	**57**	417
	431	755	**230**	697
Credit quality of trade and other receivables				
Trade receivables can be analysed based on historical collections performance as follows:				
Trade receivables				
Trade debtors with no history of default	**900**	1 511	**1 021**	1 455
Trade debtors where there have been isolated instances of default but no loss suffered	**16**	93	**16**	40
	916	1 604	**1 037**	1 495

COLLATERAL HELD

BSP debtors are credit-vetted by IATA, which holds a guarantee appropriate to the level of risk identified. Should an agent be in default with IATA, the guarantee is encashed and apportioned between the creditor airlines. SAA holds additional guarantees of R67 million (2018: R69 million) in respect of local GSA debtors and R132 million (2018: R153 million) in respect of Cargo debtors and Cargo GSAs, there were no significant changes in the quality of the collateral during the current financial year.

		GROUP			COMPANY		
R MILLION	**Notes**	**2019**	**2018 Restated***	**2017 Restated***	**2019**	**2018 Restated***	**2017 Restated***
22. CASH AND CASH EQUIVALENTS							
Cash and cash equivalents consist of:							
Foreign bank accounts	5	**1 582**	1 360	2 145	**1 606**	1 418	2 150
Domestic bank accounts	5	**397**	275	455	**169**	(93)	62
Total cash and cash equivalents		**1 979**	1 635	2 600	**1 775**	1 325	2 212

Cash and cash equivalents consist of cash on hand, balances with banks and short-term deposits which can be accessed within 3 months at most. Cash and cash equivalents included in the statement of cash flows are as detailed above.

Included in cash and cash equivalents above is restricted cash to the value of R1 254 million (2018: R1 663 million). Of this restricted cash, R174 million (2018: R687 million) relates to blocked cash. According to IATA funds are deemed to be blocked when repatriations have not been possible for a period of two months, due to for instance, Exchange Control Regulations, shortages of foreign currency, tax laws or the obligatory submission of documentary evidence of monthly activities required by some foreign countries. The only country currently deemed blocked due to the aforementioned restrictions is Zimbabwe. The balance of the restricted cash relates to funds held at outstations that are not readily available, however the outstations will transfer surplus funds (net of working capital requirements) at regular intervals, depending on banking infrastructure and country regulations in terms of repatriation of sales receipts.

	GROUP		COMPANY	
R MILLION	**2019**	**2018**	**2019**	**2018**
23. BANK OVERDRAFT				
Domestic bank overdrafts	–	828	–	828

All of the above overdraft facilities are reviewed annually and accrue interest at floating rates. The total available overdraft facility at year end was R830 million (2018: R830 million).

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
24. LONG-TERM LOANS				
Secured loans				
External loans	**11 909**	8 448	**11 901**	8 444
The loans are repayable as follows:				
On demand or within one year	**11 903**	7 662	**11 901**	7 659
Two to five years	**5**	786	**–**	785
Later than five years	**1**	–	**–**	–
	11 909	8 448	**11 901**	8 444
Less: Current portion	**(11 903)**	(7 662)	**(11 901)**	(7 659)
	6	786	**–**	785
The carrying amounts of long-term loans are denominated in the following currencies:				
Rand denominated domestic loans*	**11 909**	8 448	**11 901**	8 444
	11 909	8 448	**11 901**	8 444

* *The domestic loans bear interest at JIBAR plus a margin ranging from 1,5% to 3% and are secured by Shareholder guarantee.*

R MILLION	Notes	GROUP 2019	GROUP 2018 Restated*	GROUP 2017 Restated*	COMPANY 2019	COMPANY 2018 Restated*	COMPANY 2017 Restated*
25. TRADE AND OTHER PAYABLES							
Trade payables	5	**1 694**	2 018	1 571	**1 691**	1 853	1 630
Payroll accruals	5	**979**	999	1 006	**700**	699	714
Deferred revenue collected on behalf of franchise and interline partners*		**1 615**	1 407	1 361	**1 615**	1 407	1 361
Ticket tax accruals	5	**1 191**	1 185	1 361	**1 106**	1 079	1 271
Other payables**	5	**2 166**	3 203	2 928	**1 935**	2 735	2 747
		7 645	8 812	8 227	**7 047**	7 773	7 723

* *This balance represents fares, levies and taxes collected on tickets and air waybills sold in relation to future flights to be operated by other airlines. The liability is of a short-term nature and is reflected as a current liability.*

** *Other payables comprise accruals processed in the normal course of business.*

R MILLION	Notes	Financial liabilities at amortised cost	Fair value through profit or loss held-for-trading**	Total
26. FINANCIAL LIABILITIES BY CATEGORY				
Set out below is an analysis of all of the Group's financial liabilities that are carried at either fair value or amortised cost in the annual financial statements depending on their classification:				
GROUP – 2019				
Long- and short-term liabilities	24	**11 909**	–	**11 909**
Shareholder loan to share trust	31	**63**	–	**63**
Trade and other payables	25	**3 669**	–	**3 669**
Engine power by the hour liability	31	**56**	–	**56**
Non-current legal settlements	31	**691**	–	**691**
		16 388	–	**16 388**

R MILLION	Notes	Financial liabilities at amortised cost	Fair value through profit or loss held-for-trading**	Total

26. FINANCIAL LIABILITIES BY CATEGORY (continued)

R MILLION	Notes	Financial liabilities at amortised cost	Fair value through profit or loss held-for-trading**	Total
GROUP – 2018				
Restated*				
Long- and short-term liabilities	24	8 448	–	8 448
Shareholder loan to share trust	31	63	–	63
Trade and other payables	25	4 935	–	4 935
Bank overdraft	23	828	–	828
Engine power by the hour liability	31	143	–	143
		14 417	–	14 417

* Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.

** Financial instruments held at fair value are level two instruments. A separate analysis has not been provided for the company, as the numbers do not differ significantly from the Group numbers.

27. FINANCIAL ASSETS BY CATEGORY

Set out below is an analysis of all of the Group's financial assets that are carried at either fair value or amortised cost in the annual financial statements depending on their classification:

R MILLION	Notes	Loans and receivables	Fair value through profit or loss held-for-trading**	Available-for-sale	Total
GROUP – 2019					
Trade and other receivables	21	**2 393**	**–**	**–**	**2 393**
Cash and cash equivalents	22	**1 979**	**–**	**–**	**1 979**
Investment in SA Airlink (Pty) Limited	46	**–**	**–**	**35**	**35**
Non-current aircraft and other deposits	13	**3 228**	**–**	**–**	**3 228**
Current aircraft and other deposits	13	**544**	**–**	**–**	**544**
		8 144	**–**	**35**	**8 179**
GROUP – 2018					
Restated*					
Currency derivatives	14	–	2	–	2
Trade and other receivables	21	3 032	–	–	3 032
Cash and cash equivalents	22	1 635	–	–	1 635
Investment in SA Airlink (Pty) Limited	46	–	–	35	35
Non-current aircraft and other deposits	13	2 261	–	–	2 261
Current aircraft and other deposits	13	400	–	–	400
		7 328	2	35	7 365

* Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.

** Financial instruments held at fair value are level two instruments. A separate analysis has not been provided for the company, as the numbers do not differ significantly from the Group numbers.

28. RISK MANAGEMENT

28.1 Financial instruments categories

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Group has estimated fair values where appropriate, by using the following methods and assumptions:

Investment in unlisted shares classified as available-for-sale financial assets

The investment in the unlisted shares is held as an ancillary investment, it is not considered a material holding to the Group and is classified as a level 3 financial instrument. SAA has a 2,95 percent shareholding in SA Airlink, which is currently reflected in SAA's books at R35 million. A valuation of the investment was conducted during the year on the net asset value and based on the results of SA Airlink's latest audited financial statements. Based on this valuation it was determined that no impairment of this investment was necessary in the current financial year.

Derivative assets and liabilities

The derivative assets and liabilities are entered into to manage Group exposure to foreign currency, interest rates and jet fuel price risks. The Group derivatives may include fixed contracts, vanilla European and Asian options, swaps, call spreads and collars, which are entered into mainly to manage foreign currency exchange risk and jet fuel price risk. The fair values of the derivative instruments are determined based on observable inputs into valuation models.

Foreign currency forward contracts are mainly entered into to manage foreign currency exchange risk and are measured using the quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

All other financial assets and liabilities are measured at amortised cost.

Fixed swaps are valued using a simple discounted cash flow calculation. Asian options are valued using a combination of the Black Scholes and Black 76 formulas, where the inputs into the pricing model are the expected arithmetic average and the variance of the expected arithmetic average of the underlying.

28.2 Governance structure

The SAA Board is charged with the responsibility of managing the airline's financial risks. The Board reviews all the financial risks of the organisation, as well as key financial decisions.

RISK MANAGEMENT SYSTEMS

SAA has implemented a Treasury risk analytical system with advanced analytics to assist SAA's Front Office in the hedging decisions in the hedging portfolios. The key for this tool is its ability to handle jet fuel price risk exposures using commodity pricing models and the aggregation of all the other risks to enable SAA to have a view of its financial risks in the treasury environment.

The capital risk and financial risk management is described below.

28.3 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of share capital and a contribution from the Shareholder. The non-distributable reserves include general reserves and government restructuring funds, which are ring fenced for funding of the Group's restructuring activities to ensure that the entity returns to profitability with financial performance metrics similar to those of its world class peers. The debt includes long-term interest bearing borrowings and short-term borrowings, including accounts payable and bank overdrafts.

The Group uses short-term investment instruments to ensure continued funding of operations.

Refer to the going concern details as disclosed in Note 51, which notes the concern in respect of the risk that SAA is largely undercapitalised.

28.4 Financial risk management

The fundamental objective of financial risk management at SAA is to protect and, where possible, improve on future budgeted and forecast cash flows, and the financial performance and financial position of the Group, by:

- Protecting the Group from adverse market movements that manifest as financial downside for the business and endanger stakeholders (Shareholder, employees and the community) and threaten the sustainability and competitive position and reputational risk of the SAA Group in the market;
- Reducing the volatility and resultant uncertainty of operating revenues and cash flows that result from financial market volatility;
- Providing some price stability through improving the transparency of price mechanisms.

The main financial market risks faced by the Group are liquidity risk, credit risk and market risk which consist of interest rate risk, currency risk and commodity price risk.

The Board has a financial risk management policy with clearly defined objectives. This policy presents a framework and control environment that sets the limits within which management can leverage their experience and knowledge of the business together with financial risk management skills and a degree of innovation, to manage and mitigate financial risk on a day-to-day basis.

28. RISK MANAGEMENT (continued)

28.4 Financial risk management *(continued)*

LIQUIDITY RISK

Liquidity risk is the risk that the Group does not meet its financial obligations on a cost effective and a timeous basis, and could result in reputational damage should a default occur.

The cash management and liquidity risk management processes are aimed at ensuring that the Group is managing its cash resources optimally, has sufficient funds to meet its day-to-day financial obligations, has established prudent limits on the percentage of debt that can mature in any financial year, is investing any cash surpluses in an appropriate and authorised way and has sufficient facilities in place to provide its relevant forecast liquidity requirement.

The principles for cash and liquidity management at SAA are as follows:

- Transactional banking relationships must be reviewed every five years. SAA Treasury is responsible for the recommendation of bankers through the normal tendering process within SAA and the Board will give final approval;
- All requests for the opening and closing of bank accounts and the management of bank account signatories are to be reviewed and approved by the Chief Financial Officer and the Treasurer;
- Prudent cash management practices must be implemented, including the use of a centralised pooled cash management bank account structure and systems, and the maintenance of minimum cash balances at operational level.

All companies within the Group are included in the cash management structure and form part of the cash and liquidity management practices of the Group.

COMMITTED FUNDING FACILITIES

SAA is dependent on funding in the form of operating leases and loans in local currency, mainly for the purchase of aircraft and aircraft components and for funding SAA's operations. The volatility of the financial markets, SAA's financial standing and the difficulties experienced by the airline industry in general affect the availability of funding to airlines. Funding can sometimes be constrained to a limited number of counterparties at any given time. The underlying risk manifests in three forms:

- SAA loses committed funding from a particular counterparty due to that counterparty defaulting on an existing funding arrangement;
- SAA is unable to secure new funding at a particular time;
- SAA loses assets deposited as security deposits, defeasance deposits, or cash collateral on funding structures.

Cash and liquidity management takes into account the medium- to long-term funding plans of SAA as developed by the Finance Department.

The following are the contractual maturities of financial liabilities based on undiscounted cash flows, excluding the impact of netting agreements and the derivative financial instruments that are out of the money at year end. The derivative financial instruments that are in the money are reflected as financial assets.

28. RISK MANAGEMENT (continued)

28.4 Financial risk management *(continued)*

The following are the contractual maturities of financial liabilities based on undiscounted cash flows, excluding the impact of netting agreements and the derivative financial instruments that are out of the money at year end. The derivative financial instruments that are in the money are reflected as financial assets.

R MILLION	Carrying principal amount*	Contractual amount*	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years
GROUP – 31 MARCH 2019**								
Non-derivative financial liabilities								
ZAR denominated secured loans	**11 909**	**12 000**	**11 990**	**1**	**1**	**1**	**6**	**1**
Accounts payable	**7 645**	**7 645**	**–**	**7 645**	**–**	**–**	**–**	**–**
Shareholder loan to share trust	**63**	**63**	**–**	**–**	**–**	**–**	**63**	**–**
Engine power by the hour liability	**56**	**56**	**–**	**–**	**–**	**–**	**56**	**–**
Non-current legal settlements	**691**	**691**	**–**	**–**	**–**	**–**	**691**	**–**
Total	**20 364**	**20 455**	**11 990**	**7 646**	**1**	**1**	**816**	**1**

* *The carrying principal amount excludes interest while the contractual amount includes interest. This is applicable to non-derivative financial liabilities.*

** *A separate liquidity analysis has not been provided for the company, as the numbers do not differ significantly from the Group numbers.*

R MILLION	Carrying principal amount*	Contractual amount*	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years
GROUP – 31 MARCH 2018 Restated**								
Non-derivative financial liabilities								
ZAR denominated secured loans	8 448	9 270	117	138	205	8 015	795	–
Accounts payable	8 812	8 812	–	8 812	–	–	–	–
Shareholder loan to share trust	63	63	–	–	–	–	63	–
Engine power by the hour liability	143	143	–	–	–	–	143	–
Total	17 466	18 288	117	8 950	205	8 015	1 001	–
Derivative financial instruments								
FX – currency options	2	2	–	1	1	–	–	–
Total	2	2	–	1	1	–	–	–

* *The carrying principal amount excludes interest while the contractual amount includes interest. This is applicable to non-derivative financial liabilities.*

** *A separate liquidity analysis has not been provided for the company, as the numbers do not differ significantly from the Group numbers. Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

28. RISK MANAGEMENT (continued)

28.4 Financial risk management *(continued)*

OTHER RISKS

Interest rate risk

Interest rate risk is the risk of increased financing cost due to adverse movements in market interest rates. Interest rate risk impacts SAA in the following forms:

- Increased cash costs in an increasing interest rate environment due to the Group's floating aircraft funding structures;
- The opportunity cost of funding at a higher rate in a declining interest rate environment due to the Group's fixed funding structures;
- The bulk of the Group's interest rate exposure is as a result of US$ denominated aircraft financing structures.

This portfolio is made up of operating leases and loans. The portfolio is highly sensitive to the movement of US interest rates. The Group is continually monitoring and adjusting its fixed/floating ratio to adapt to the changing dynamics of its business operations and to protect its statement of profit or loss and other comprehensive income and statement of financial position.

The objectives of managing interest rate risk are to:

- Design appropriate funding structures (fixed versus floating, and local versus foreign currency) through the Treasury and Finance departments;
- Reduce the cost of capital;
- Minimise the effect of interest rate volatility on the Group's financing expenditure;
- Manage the ratio of floating rate exposures to fixed rate exposures;
- Obtain optimal investment returns on surplus cash, while ensuring that credit risk is managed;
- Ensure that appropriate levels of liquidity are maintained, while remaining within the guidelines set by this policy;
- Ensure efficiency by restructuring interest rate exposure as and when necessary.

The Group is exposed to changes in interest rates on floating rate debt and cash deposits. Interest rate risk on borrowings and leases is managed through determining the right balance of fixed and floating debt within the financing structure. To manage the interest rate exposure, the Treasury and Cash Management Department keeps a reasonable amount of foreign cash deposits to offset to some degree the finance charges. The current SAA Group policy limits the maximum interest rate exposure to fixed debt at 75 percent and floating debt at 50 percent. As at 31 March 2019, the current interest rate exposure to fixed debt is 56 percent and 44 percent in respect of floating debt. Market conditions are considered when determining the desired balance of fixed and floating rate debt. The sensitivities of the Group's floating interest rate debt and cash deposits are calculated using the annualised volatility over the last five years.

28.5 Credit risk management

Credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial market instrument where the Group is a party to the transaction or failure to service debt according to contractual terms. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness and the respective concentration risk.

The objectives of managing counterparty risk are to avoid contracting with any party that is not of an acceptable credit standing, formulate evaluation criteria of potential counterparties and implement monitoring measures and control processes for counterparty risk.

The Group is exposed to a number of types of counterparty risk as part of its normal business operations as described below:

INVESTMENT RISK

Cash balances and investments held in a range of local and offshore bank accounts, in a range of currencies, which form part of SAA's cash management and revenue collection infrastructure.

MARGINAL RISK

The Group makes use of derivative instruments in the foreign exchange, interest rate and commodity markets to mitigate the risk of adverse changes in cash flow and earnings that result from fluctuations in the financial markets. Counterparty risk arises on these derivative instruments when the hedging positions with counterparties have a positive net present value to SAA and are providing SAA with protection against adverse market movements in future. In this scenario SAA would lose the protection if the counterparty defaults on its obligation and SAA will have to replace this protection with similar hedging transactions at a higher cost. It is also important to note that, in the event that a counterparty goes into liquidation and its marginal risk position (net present value) is positive (an asset to the counterparty) with SAA, the company may be called on by the creditors of the counterparty to crystallise and settle the positions in question earlier than anticipated.

Counterparties are grouped in two major groups from a credit risk perspective:

Rated counterparties

Local and international banking and financial institutions, which are rated by major ratings agencies, and whose financial information is readily available.

28. RISK MANAGEMENT (continued)

28.4 Financial risk management *(continued)*

Unrated counterparties

SAA needs to deal with and hold bank accounts in various locations with local banking institutions that may not be rated and for which there is very little or no financial information available. This is typically the case where there is no representation of any of the rated counterparties in such location and SAA has to use an unrated counterparty to fulfil normal operational banking requirements, or where it is agreed by the Board as a prerequisite for specific operating bases. The Group has therefore a very restricted mandate when dealing with any unrated counterparties.

The Group has operating accounts in some African countries which are not rated. The exposure to these banks is kept at a minimum.

LOANS AND RECEIVABLES CREDIT RISK

The Group is exposed to credit risk relating to the nature of the distribution network for airline operations. The Group airline distribution network includes BSPs (these are IATA accredited travel agents) and general sales agents (GSAs) who are used in countries where there are no IATA accredited travel agents. Credit card debtors arise from the customers paying their fares using credit cards and the Group has to recover the money through the credit card financial institutions' clearing houses globally.

Other debtors mainly consist of loans receivable and fuel trading debtors. These are classified as other because they do not form part of the Group's normal operating activities. The Group manages its credit risk from trade receivables on the basis of an internally developed credit management policy. This policy sets out the credit limits and requirements for any credit enhancements. The Group holds a guarantee from a GSA as a prerequisite before it can accredit it to be part of its distribution network. The Group also requires some counterparties to provide guarantees in the form of cash and letters of credit as security for exposure. This is prevalent mainly on GSAs. The amount of guarantees is agreed upon based on the risk profile of the counterparty. The guarantees relating to BSP debtors are held directly by IATA for the benefit of all airlines exposed to a particular BSP.

MAXIMUM EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

	GROUP		COMPANY	
R MILLION	**2019**	**2018 Restated***	**2019**	**2018 Restated***
Financial instruments				
Cash and cash equivalents	**1 979**	1 635	**1 775**	1 325
Derivative assets held-for-trading	**–**	2	**–**	2
Trade and other receivables	**2 393**	3 032	**2 286**	2 870
Investments	**35**	35	**35**	35
Non-current aircraft and other deposits	**3 228**	2 261	**2 587**	2 040
Current aircraft and other deposits	**544**	400	**260**	315

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

** *These amounts are not past due or impaired.*

			IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND*		
	Foreign currency amount '000	**Carrying amount R'000**	**+17%* -17% US$ R'000**	**+13%* -13% EUR R'000**	**+15%* -15% GBP R'000**
FINANCIAL INSTRUMENTS					
Accounts receivable					
31 MARCH 2019					
US$ denominated	**285 459**	**4 139 495**	**703 714**	**–**	**–**
EUR denominated	**22 025**	**358 281**	**–**	**46 577**	**–**
GBP denominated	**6 253**	**118 186**	**–**	**–**	**17 728**
	–	**4 615 962**	**703 714**	**46 577**	**17 728**

	Foreign currency amount '000	Carrying amount R'000	IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND* +32%* -32% US$ R'000	+15%* -15% EUR R'000	+20%* -20% GBP R'000

28. RISK MANAGEMENT (continued)

28.5 Credit risk management *(continued)*

MAXIMUM EXPOSURE TO CREDIT RISK (continued)

FINANCIAL INSTRUMENTS

Accounts receivable

	Foreign currency amount '000	Carrying amount R'000	+32%* -32% US$ R'000	+15%* -15% EUR R'000	+20%* -20% GBP R'000
31 MARCH 2018					
US$ denominated	294 476	3 491 190	1 117 181	–	–
EUR denominated	20 250	295 080	–	44 262	–
GBP denominated	6 199	103 012	–	–	20 602
		3 889 282	1 117 181	44 262	20 602

* *The percentages used are based on the average movement over the past four years.*

The Group does not generally charge interest on any overdue accounts, therefore the accounts receivable are mainly sensitive to movements in major foreign currencies as detailed above.

28.6 Market risk management

Market risk comprises currency risk, interest rate risk and price risk.

Set out below is the impact of market risk on the Group's annual financial statements:

CURRENCY RISK

Foreign exchange risk is the risk of loss as a result of adverse movements in currency exchange rates. The biggest contributors to currency risk for the Group are foreign revenues earned at operating unit level, aircraft financing transactions and the covariance risks inherent in the Group's revenue and cost streams. The Group's approach to foreign currency risk management is to protect itself against exchange rate volatility and adverse movements in the exchange rate of the rand in relation to other currencies that the Group is exposed to. The Board made a decision to manage its foreign exchange risk exposures on a net exposure basis, ie taking into account the different currencies it receives in its revenue stream, the different currencies in which its cost base is denominated and the underlying natural hedges that exist in its business operations. Foreign exchange risk is managed through the use of cash collection and conversion strategies and approved derivative financial instruments which are marked to market on a daily basis. The Group's policy on foreign exchange risk management is to hedge up to 75 percent of its exposure on an 18-month rolling basis.

The Group's currency risk is represented by the increased financial cost and/or cash requirements due to the net exposure between foreign revenue generated, foreign expenditure commitments and domestic revenues and expenditure commitments. The main objective of the currency risk management policy is to mitigate the potential for financial loss arising through unfavourable movements in exchange rates relative to the budget.

Foreign exchange risk will be managed on a net basis, including operating and capital exposures after taking the following into consideration:

- Source currencies for revenue and costs (US$, GBP and EUR);
- Both direct and indirect foreign exposure. Indirect foreign exposure is where SAA pays in ZAR, but the exposure is determined by using a US$ price, for example jet fuel uplifted in South Africa;
- Volatility of the rand versus US$, GBP and EUR and the correlation between these currencies;
- Foreign currency exposures are determined from the 18-month rolling ZAR and foreign cash budget. Foreign currency risk will be monitored and managed under the following principles:
  - The net foreign currency position will be monitored on a monthly basis by obtaining the net foreign currency position in all currencies from the 18-month rolling cash budget, including forecast foreign cash balances;
  - The accuracy of forecast revenues and costs are of critical importance when determining net foreign currency exposure. Management should take care to establish the levels of confidence in achieving forecast revenues and costs on an ongoing basis when designing hedging strategies;
  - The foreign versus domestic currency funding decision (loans/leases) should always consider current foreign currency risk management position and practices, since these decisions are a significant source of foreign currency exposure for the Group.

The decision to manage capital foreign currency exposures (such as leases and loans) should be combined with the business strategy, route planning and funding decisions (as appropriate), to ensure that funding and foreign currency risk management strategies are complementary to the business strategy and present the most relevant overall solution to the Group.

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

FOREIGN EXCHANGE RISK

The Group collects revenues in multiple currencies other than ZAR, EUR, GBP and US$. The foreign risk of exotic currencies cannot be practically managed at the local currency level, therefore the foreign exchange risk management is done at a net currency exposure level.

The Group did not have any derivatives that qualified for hedge accounting in the current or prior year.

The year end exchange rates applied in the translation of the Group's foreign monetary assets and liabilities are as follows:

	2019	2018
Exchange rates used expressed in the number of rands per unit of foreign currency:		
United States dollar (US$)	**14.50**	11.86
Euro (EUR)	**16.27**	14.57
Pounds sterling (GBP)	**18.90**	16.62

	FOREIGN AMOUNT		RAND AMOUNT	
FIGURES IN MILLIONS	**2019**	**2018**	**2019**	**2018**
FOREIGN CURRENCY EXPOSURE AT STATEMENT OF FINANCIAL POSITION DATE				
The following debtors and creditors amounts included in the statement of financial position have not been covered by forward exchange contracts:				
Accounts receivable				
US dollar	**285**	294	**4 139**	3 491
Euro	**22**	20	**358**	295
UK pound	**6**	6	**118**	103
Hong Kong dollar	**10**	10	**19**	15
Danish krone	**2**	1	**4**	2
Swiss franc	**2**	1	**24**	10
Australian dollar	**5**	2	**56**	20
Brazilian real	**32**	29	**117**	103
Thai baht	**5**	3	**2**	1
Malawian kwacha	**1 039**	965	**21**	16
Other	**–**	–	**337**	418
	1 408	1 331	**5 195**	4 474
Accounts payable				
US dollar	**30**	23	**435**	278
Euro	**15**	20	**239**	289
UK pound	**3**	2	**47**	31
Australian dollar	**3**	3	**29**	31
Benin CFA Franc BCEAO	**441**	1 075	**11**	23
Other	**–**	–	**81**	133
			(842)	(785)
Accounts receivable as above			**5 195**	4 474
Net exposure			**4 353**	3 689

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects to hedge foreign exchange exposure with foreign exchange contracts and currency options.

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

PRICE RISK ASSOCIATED WITH COMMODITIES

Jet fuel consumption is SAA's biggest cost contributor, representing approximately 27 percent of the Group's cost base. Jet fuel prices have a high level of uncertainty caused by supply shocks, demand patterns, currency fluctuations, market sentiment and political events. Jet fuel price risk is the risk of increased cash cost of jet fuel due to an increase in the prices of the various jet fuel product prices that the Group pays for physical jet fuel purchased around the globe.

SAA currently consumes approximately 81 million litres (2018: 93 million litres) of jet fuel per month. This means that any change in price will have a significant impact on the Group's performance.

The objectives of managing jet fuel price risk are to:

- Reduce the volatility of jet fuel costs and the effect of this volatility on cash flows and earnings, ie price stability;
- Limit the impact of derivative instruments on the Group's financial position and performance;
- Occupy a competitive position in the airline industry in terms of jet fuel price risk management, negating the competitive advantage that competitors derive from their jet fuel risk management strategies;
- Utilise any backwardation in the energy forward curves to reduce future jet fuel costs;
- Provide a protection buffer during times of elevated jet fuel prices;
- Continually and dynamically transact a minimum amount of hedging in the financial markets;
- Ensure that hedging prices are averaged into the market and that large hedges are not transacted at single points in time, which may represent the peak of the market.

The Group manages its jet fuel price risk exposures using derivative financial instruments. All derivative contracts are marked to market and are cash settled. The Group's risk policy permits the organisation to manage its jet fuel price risk exposures using the underlying products such as International Crude Exchange (ICE), Brent Crude Oil, ICE Gas Oil 0,5 percent, Gas Oil, Western Texas Intermediate (WTI), FOB ARAB Gulf 0,5 percent and Jet Kerosene (North West Europe) NWE. It is SAA's policy to hedge a maximum of 60 percent of its jet fuel price risk exposures on an 18-month rolling basis with no minimum hedge percentage. The Group did not enter into any derivative financial instruments relating to jet fuel in the current financial year.

SENSITIVITY ANALYSIS

The Group sensitivity analysis would include the sensitivity of annual financial statements to currency risk based on US$, which carries a greater impact on the Group, the interest rate risk sensitivity to LIBOR and JIBAR, the other price risk sensitivity mainly driven by the price per barrel of oil based commodity derivatives.

The following sensitivity analysis was determined based on the 12-month horizon with reasonable possible change at year end. Management has determined the reasonable possible change using market input and historical data. The 12 months was considered appropriate as the Group only publishes its results annually and has reasonable expectations for uncertainties in the 12-month horizon. For internal reporting to the Audit and Risk Committee, a one-month horizon is utilised.

			CURRENCY*	
	Foreign currency amount '000	Carrying amount R'000	Profit/(loss) impact -32% US$ R'000	Profit/(loss) impact +32% US$ R'000
GROUP AND COMPANY**				
Derivative financial instruments				
31 MARCH 2019				
US$ foreign exchange derivatives				
European options	–	2 204	(2 204)	92 387
		2 204	**(2 204)**	**92 387**

* *The percentages are based on the average movement over the past four years.*

** *A separate liquidity analysis has not been provided for the company, as the numbers do not differ significantly from the Group numbers.*

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

R MILLION	Quoted market price Level 1	Using observable inputs Level 2	With significant unob-servable inputs Level 3	Total
Fair value hierarchy and fair value measurements of all financial assets and liabilities held at fair value:				
GROUP AND COMPANY				
31 MARCH 2018				
Assets				
Currency derivatives	–	2	–	2
	–	2	–	2

FAIR VALUE MEASUREMENTS

The fair values of jet fuel options, currency derivatives and jet fuel forward exchange contracts and swaps are valued using a market approach. Inputs into the fair value measurement, include interest rates and yield curves at commodity quoted intervals, interest rates and applied volatilities. There was no change in the fair value measurement during the current financial year.

FAIR VALUE HIERARCHY

The table above analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identifiable assets and liabilities;
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (ie from prices) or indirectly (ie derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial statement items for which fair value is recognised or disclosed are categorised within the fair value hierarchy as described above. Please refer to Note 12 for the valuation techniques and inputs used to determine the fair value of revalued land and buildings. The fair value of long-term loans as disclosed in Note 24 can be determined by calculating the present value of future principal and interest cash flows, discounted at the market rate of interest for similar liabilities at the reporting date. The fair values of financial liabilities such as trade and other payables and the bank overdraft have not been disclosed, as their carrying values will be a reasonable approximation of their fair values, due to the short-term nature of these instruments, similarly the fair values of financial assets such as trade and other receivables and cash and cash equivalents will not be disclosed as well. Please refer to Note 28.1 for the valuation techniques and inputs used to determine the fair value of the Investment in SA Airlink, this investment is classified as a level 3 instrument, the valuation of this investment indicated that no impairment would be necessary during the current financial year. There were no changes in any of the fair value measurements during the current financial year.

			CURRENCY[(1)]		INTEREST RATE[(1)]	
	Foreign currency amount '000	Carrying amount R'000	Profit/(loss) impact -17% US$ R'000	Profit/(loss) impact +17% US$ R'000	Profit/(loss) impact -42 BPS US$ -27 BPS ZAR R'000	Profit/(loss) impact +42 BPS US$ +27 BPS ZAR R'000
GROUP AND COMPANY						
Non-derivative financial instruments						
31 MARCH 2019						
Secured borrowing – JIBAR floating debt (ZAR denominated)	–	11 908 830	–	–	32 154	(32 154)
Accounts payable (US$ denominated)	29 967	434 557	73 875	(73 875)	–	–
Total financial liabilities		12 343 387	73 875	(73 875)	32 154	(32 154)
Foreign cash and cash equivalents (Favourable cash – US$ equivalent)	109 087	1 581 897	(268 922)	268 922	(6 644)	6 644
ZAR based cash and cash equivalents (Favourable cash)	–	397 092	–	–	(1 072)	1 072
Total financial assets		1 978 989	(268 922)	268 922	(7 716)	7 716

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

GROUP AND COMPANY

Non-derivative financial instruments

31 MARCH 2018

Restated*

			CURRENCY(1)		INTEREST RATE(1)	
	Foreign currency amount '000	Carrying amount R'000	Profit/(loss) impact -32% US$ R'000	Profit/(loss) impact +32% US$ R'000	Profit/(loss) impact -78 BPS US$ -40 BPS ZAR R'000	Profit/(loss) impact +78 BPS US$ +40 BPS ZAR R'000
Secured borrowing – JIBAR floating debt (ZAR denominated)	–	8 447 827	–	–	33 791	(33 791)
Accounts payable (US$ denominated)	23 487	278 453	89 105	(89 105)	–	–
ZAR based bank overdraft	–	827 888	–	–	3 312	(3 312)
Total financial liabilities		9 554 168	89 105	(89 105)	37 103	(37 103)
Foreign cash and cash equivalents (Favourable cash – US$ equivalent)	114 724	1 360 122	(435 239)	435 239	(10 609)	10 609
ZAR based cash and cash equivalents (Favourable cash)	–	275 230	–	–	(1 101)	1 101
Total financial assets		1 635 352	(435 239)	435 239	(11 710)	11 710

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

			IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND(1)	
	Foreign currency amount '000	Carrying amount R'000	+13% -13% EUR/US$ R'000	+15% -15% GBP/US$ R'000
GROUP AND COMPANY				
Non-derivative financial instruments				
31 MARCH 2019				
Denominated in EUR and GBP(2)				
Accounts payable – EUR	**14 672**	**238 660**	**31 026**	**–**
Accounts payable – GBP	**2 503**	**47 314**	**–**	**7 097**
		285 974	**31 026**	**7 097**

			IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND(1)	
	Foreign currency amount '000	Carrying amount R'000	+15% -15% EUR/US$ R'000	+20% -20% GBP/US$ R'000
GROUP AND COMPANY				
Non-derivative financial instruments				
31 MARCH 2018				
Denominated in EUR and GBP(2)				
Accounts payable – EUR	19 853	289 291	43 394	–
Accounts payable – GBP	1 889	31 387	–	6 277
		320 678	43 394	6 277

(1) The percentages are based on the average movement over the past four years.
(2) The Group does not incur any interest on accounts payable.

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

LEASE COMMITMENTS

The Group lease commitments are mainly denominated in US$. Some of these commitments are fixed while some have a floating LIBOR rate linked component. SAA is therefore through its lease commitments exposed to both interest rate risk and foreign currency risk. Interest rates on these leases are linked to one, three and six months LIBOR rates. These are not specifically hedged but are considered part of the net exposure for hedging purposes on foreign exchange.

FOREIGN DEFINED BENEFIT OBLIGATIONS

The Group is also exposed to foreign currency risk relating to its foreign defined benefit obligations. The German Pension Fund obligation is denominated in Euro. Any movement is currency based on this fund and reasonable possible changes in the Euro would further impact the Group exposure to foreign currency risk and SAA hedges this exposure on a net portfolio hedge basis.

R MILLION	Note	GROUP 2019	GROUP 2018 Restated*	GROUP 2017 Restated*	COMPANY 2019	COMPANY 2018 Restated*	COMPANY 2017 Restated*
29. EMPLOYEE BENEFIT EXPENSES							
29.1 Short-term employee benefit expenses							
Personnel and labour costs	5	**6 059**	5 652	5 621	**3 913**	3 684	3 649
Contribution to medical funds		**68**	67	69	**51**	49	51
		6 127	5 719	5 690	**3 964**	3 733	3 700
29.2 Post-employment benefit expenses*							
Contribution to pension funds		**453**	432	423	**316**	303	295
Contribution to provident funds		**56**	56	57	**56**	56	57
Current – service cost		**14**	15	18	**14**	15	18
Interest cost		**140**	147	151	**140**	147	151
Past-service cost		**–**	(14)	–	**–**	(14)	–
Return on plan assets		**(201)**	(215)	(209)	**(201)**	(215)	(209)
		462	421	440	**325**	292	312
Total employee benefit expenses		**6 589**	6 140	6 130	**4 289**	4 025	4 012

* *These costs relate to other post-employment and other long-term employee benefit plans for the Group. The post-employment benefit costs have been disclosed in Note 32.*

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
30. RETIREMENT BENEFITS				
Post-retirement medical benefits	**(33)**	(36)	**(33)**	(36)
Retirement benefit obligation	**(84)**	(77)	**(84)**	(77)
Retirement benefit asset	**11**	22	**11**	22
	(106)	(91)	**(106)**	(91)
Non-current assets	**11**	22	**11**	22
Non-current liabilities	**(117)**	(113)	**(117)**	(113)
	(106)	(91)	**(106)**	(91)

	GROUP		COMPANY	
R MILLION	**2019**	**2018**	**2019**	**2018**
31. OTHER LONG-TERM LIABILITIES				
Shareholder loan to South African Airways Employee Share Trust	**63**	63	**–**	–
Engine power by the hour liability	**56**	143	**56**	143
Non-current legal settlements	**691**	–	**691**	–
	810	206	**747**	143

The Shareholder loan to the South African Airways Employee Share Trust was created when the class E shares were transferred into the South African Airways Employee Share Trust from the Shareholder. The loan is interest free and is repayable on the winding up of the South African Airways Employee Share Trust. It is unlikely that the South African Airways Employee Share Trust will be wound up during the 2019/2020 financial year and therefore has been classified as long-term.

The engine power by the hour liability relates to catch up payments that the Group will pay for engines previously not covered by power by the hour agreements. This relates to the non-current portion of the liability, the current portion is disclosed under "Other payables" in Note 25.

The non-current legal settlements relate to money owed by South African Airways SOC Limited (SAA) to Comair Limited, in respect of a settlement relating to a Competitions Act matter. This was previously provided for in prior periods. In terms of the settlement agreement, SAA has to pay R24,7 million per month, plus interest calculated at the ruling three-month JIBAR interest rate. The final installment will be made on 28 July 2022. This balance relates to the non-current portion of the liability, the current portion is disclosed under "Other payables" in Note 25.

32. EMPLOYEE BENEFIT INFORMATION

32.1 SAA Group pension benefits

The Group offers pension benefits through two defined benefit pension funds and various defined contribution funds. The Transport Pension Fund was previously known as the Transnet Pension Fund, the name was amended in November 2005. The Transnet Pension Fund Amendment Act restructured the Transport Pension Fund into a multi-employer pension fund. From the date this Act came into operation, all existing members, pensioners, dependant pensioners, liabilities, assets, rights and obligations of the Transport Pension Fund are attributable to a subfund, with Transnet as the principal employer.

The amended Rules of the Fund establish a subfund in the name of South African Airways SOC Limited (SAA Group) from 1 April 2006. A further subfund in the name of South African Rail Commuter Corporation Limited was established with effect from 1 May 2006. The third subfund currently in existence is the Transnet subfund.

The SAA Group also offers post-retirement medical benefits to its employees through various funds of its own.

EXPOSURE TO RISKS

The risks faced by the Group as a result of the post-employment benefit obligation can be summarised as follows:

- **Inflation:** The risk that future CPI inflation is higher than expected and uncontrolled;
- **Longevity**: The risk that pensioners live longer than expected and thus their pension benefit is payable for longer than expected;
- **Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain;
- **Future changes in legislation:** The risk that changes to legislation with respect to the post-employment liability may increase the liability for the Group;
- **Future changes in the tax environment:** The risk that changes in the tax legislation governing employee benefits may increase the liability for the Group;
- **Administration**: Administration of this liability poses a burden to the Group.

32.1.1 Transnet retirement fund (TRF)

The fund was structured as a defined contribution fund from 1 November 2000. All employees of SAA are eligible members of the fund. There were 4 123 members (2018: 3 740) at 31 March 2019. Actuarial valuations are done, at intervals not exceeding three years, to determine its financial position. The last actuarial valuation was performed at 31 March 2019. The actuaries were satisfied with the status of the members' credit account then. The Group's contributions for the period to 31 March 2019 amounted to R482 million (2018: R466 million).

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.1 SAA Group pension benefits *(continued)*

32.1.2 SAA subfund of the transport pension fund

The fund is a closed defined benefit pension fund. Members are current employees of the SAA Group who elected to remain as members of the fund at 1 November 2000 and pensioner members who retired subsequent to that date. There were 49 active members (2018: 54) and 295 pensioners (2018: 301) at 31 March 2019. An actuarial valuation was done as at 31 March 2019 based on the projected unit credit method.

The benefits for the members of the fund are determined based on the formula below:

A member with at least 10 years' pensionable service is entitled to the following benefits on attaining the minimum retirement age: An annual pensionable salary equal to average pensionable salary multiplied by pensionable service multiplied by accrual factor plus a gratuity equal to a third of annual pension multiplied by gratuity factor. A member with less than 10 years of pensionable service is entitled to a gratuity equal to twice the member's own contributions without interest on attaining the age limit.

The asset splits between the three subfunds were calculated, based on the proportional allocation of benefit liabilities to be transferred to each subfund, and presented to the Board of the fund. The physical split has been agreed by the principal employers and the subfunds' Boards.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 63.

The Group expects to make a contribution of R3,6 million (2019: R4,9 million) to the defined benefit plan during the next financial year.

PERCENT	2019	2018
32.1.2 SAA subfund of the transport pension fund *(continued)*		
Principal actuarial assumptions used:		
Discount rate	**10.00**	8.44
Inflation	**6.00**	5.68
Salary increases		
– Inflation	**7.00**	6.68
Pension increases		
– First three years	**4.50**	4.26
– After three years	**4.50**	4.26

R MILLION	2019	2018
Benefit asset		
Present value of obligation	**(1 607)**	(1 604)
Fair value of plan assets	**2 010**	2 389
Surplus	**403**	785
Asset not recognised	**(392)**	(763)
Net asset per the statement of financial position	**11**	22
Reconciliation of movement in present value of obligation		
Opening benefit liability at the beginning of the year	**(1 604)**	(1 575)
Service cost	**(7)**	(8)
Interest cost	**(129)**	(138)
Remeasurement due to change in economic assumptions	**191**	1
Remeasurement due to change in demographic assumptions	**(179)**	–
Remeasurement due to experience	**(26)**	(38)
Benefits paid	**151**	144
Past-service cost	**–**	14
Member contributions	**(4)**	(4)
Closing fair value of obligation	**(1 607)**	(1 604)

PERCENT	2019	2018
32. EMPLOYEE BENEFIT INFORMATION (continued)		
32.1 SAA Group pension benefits *(continued)*		
32.1.2 SAA subfund of the transport pension fund *(continued)*		
Reconciliation of fair value of plan assets		
Opening fair value of plan assets	**2 389**	2 372
Return on plan assets – interest income	**195**	210
Remeasurement	**(431)**	(58)
Employer's contributions	**4**	5
Benefits paid	**(151)**	(144)
Member contributions	**4**	4
Closing fair value of plan assets	**2 010**	2 389
Reconciliation of the change in the asset not recognised		
Opening asset not recognised	**(763)**	(771)
Interest cost	**(64)**	(70)
Change in the effect of the asset ceiling	**435**	78
Closing asset not recognised	**(392)**	(763)
The major categories of plan assets as a percentage of total plan assets are:	**%**	**%**
Equity	**23**	24
Property	**6**	7
Bonds	**40**	43
Bonds	**6**	–
Cash	**21**	23
International	**4**	3
Total	**100**	100
R MILLION	**Rm**	**Rm**
Current-service cost	**7**	8
Interest on obligation	**129**	138
Past-service cost	**–**	(14)
Return on plan assets – interest income	**(195)**	(210)
	(59)	(78)

The plan has a surplus that is not recognised on the basis that future economic benefits are not available to the Group in the form of a reduction in future contributions or a cash refund.

The net remeasurement loss on this defined benefit plan of R10 million (2018: R17 million) per Note 41 is arrived at by reducing the net remeasurement loss of R445 million (2018: R95 million) above by R435 million (2018: R78 million), which is the net change in the surplus asset that may not be recognised per the actuarial valuation.

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately R388 million (2018: R414 million) relating to active employees, RNil (2018: RNil) relating to deferred members and R1 219 million (2018: R1 190 million) relating to members in retirement.

The plan assets are primarily invested in equities and bonds (with a majority in equities). This exposes the Fund to a slight concentration of market risk. If the plan assets are not adequate or suitable to fund the liabilities of the fund (and the nature thereof) the Group will be required to fund the balance, hence exposing the Group to risks on the investment return.

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.1 SAA Group pension benefits *(continued)*

32.1.2 SAA subfund of the transport pension fund *(continued)*

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	IMPACT ON DEFINED BENEFIT OBLIGATION		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**1%**	**Decrease by 7,6%**	**Increase by 8,9%**
Inflation rate	**1%**	**Increase by 6,8%**	**Decrease by 61%**
Pension increase rate increased to 5,5%	**1%**	**Decrease by 1,9%**	**N/A**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

32.2 Medical benefits

32.2.1 SAA Group employees' post-retirement medical benefits

The Group has an arrangement with its employees whereby SAA subsidises its members for post-retirement medical benefits. The post-retirement medical benefits obligation relates to SAA Group continuation and in-service members who are members of Transnet, and who retired after 31 March 1990 or are still employees of SAA; employees who participate in the Discovery Health Medical Scheme; employees who participate in the Bonitas Medical Scheme and those who do not belong to a medical scheme.

There were 666 continuation members (2018: 651) and 6 696 in-service members (2018: 6 769) at 31 March 2019. The expected retirement age is 63 years and there is no allowance for early retirement. The average age of the continuation members was 71,3 years (2018: 71,3 years) and the average age of the in-service members was 42,9 years (2018: 42,4 years) at 31 March 2019. The Group expects to make a contribution of R1,7 million (2019: R1,7 million) to the defined benefit plan during the next financial year.

NUMBER OF MEMBERS	2019	2018
Eligible in-service members:		
Male	**4 068**	4 131
Female	**2 628**	2 638
	6 696	6 769

YEARS	2019	2018
Average age and average past service		
Average age (years)	**42.9**	42.4
Average past service (years)	**16.1**	15.6

NUMBER OF MEMBERS	2019	2018
Eligible continuation members:		
Male	**513**	508
Female	**153**	143
	666	651

YEARS	2019	2018
Average age		
Average age (years)	**71.3**	71.3

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.2 Medical benefits *(continued)*

32.2.1 SAA Group employees' post-retirement medical benefits *(continued)*

SAA subsidises continuation and in-service members with a fixed amount of R213 (2017: R213) per month in retirement. The amount is fixed irrespective of the number of dependants on the medical scheme. Dependants of members who die while in-service continue to receive this amount. To enable the SAA Group to fully provide for such post-retirement medical aid liabilities, since April 2000 actuarial valuations are obtained annually, as required by *IAS 19 – Employee benefits.* There are no assets held to fund the obligation.

RISKS INVOLVED IN MAINTAINING THE POST-EMPLOYMENT HEALTHCARE OBLIGATION

The risks faced by SAA as a result of the post-employment healthcare obligation can be summarised as follows:

- **Longevity:** The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected;
- **Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain;
- **Future changes in legislation:** The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for SAA;
- **Future changes in the tax environment:** The risk that changes in the tax legislation governing employee benefits may increase the liability for SAA;
- **Perceived inequality by non-eligible employees:** The risk of dissatisfaction of employees who are not eligible for a post-employment healthcare subsidy;
- **Administration:** Administration of this liability poses a burden to SAA;
- **Enforcement of eligibility criteria and rules:** The risk that eligibility criteria and rules are not strictly or consistently enforced.

ALLOCATION OF LIABILITY TO SAA GROUP

The net benefit costs are allocated to subsidiaries of Transnet based on the demographic distribution of the Transnet Medical Scheme members across units.

Any deficit or liability for post-retirement medical benefits, incurred prior to 31 March 1999, is by agreement between Transnet Limited and SAA, for the account of Transnet Limited. Any liability directly attributable to the airline after 1 April 1999 will be for SAA's account.

The economic assumptions have been set in relation to the duration of the liability as at 31 March 2018 of 9,2 years. The duration of the liability as at 31 March 2019 is 8,8 years.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 63.

The projected unit credit method has been used for the purposes of determining an actuarial valuation of post-retirement medical benefits as at 31 March 2019.

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.2 Medical benefits *(continued)*

32.2.1 SAA Group employees' post-retirement medical benefits *(continued)*

The table below summarises the components of net benefit expense recognised in both the statement of profit or loss and other comprehensive income and the statement of financial position for the SAA Group as at 31 March 2019 for SAA Group employees.

PERCENT	2019	2018
The principal actuarial assumptions used were as follows:		
Discount rate	**9.25**	8.50

R MILLION	2019	2018
Net benefit liability		
Present value of unfunded benefit obligations	**33**	36
Changes in the present value of defined benefit obligations are as follows:		
Opening liability	**36**	26
Service cost	**1**	1
Interest cost	**3**	2
Remeasurement due to change in economic assumptions	**(3)**	2
Remeasurement due to experience	**(1)**	7
Benefits paid	**(3)**	(2)
Benefit liability at year end	**33**	36
Amounts recognised in the statement of profit or loss and other comprehensive income		
Current-service cost	**1**	1
Interest on obligation	**3**	2
	4	**3**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	IMPACT ON DEFINED BENEFIT OBLIGATION		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**1%**	**Decrease by 10,1%**	**Increase by 12,1%**
Expected retirement age	**one year**	**Decrease by 6,4%**	**Increase by 7,3%**
Mortality	**one year**	**Decrease by 1,3%**	**Increase by 1,2%**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the medical liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.3 SA German pension fund benefits

SAA operates a retirement plan for its permanent employees based in Germany. The scheme is a defined benefit fund. The scheme consists of three groups which are entitled to different benefits as follows:

Group 1: Those in the employment of SAA before 1976. All employees who were members in this group have retired and the scheme has therefore been closed with effect from March 2004;

Group 2: Those in the employment of SAA from April 1976 to December 1988;

Group 3: All new employees who joined SAA after 1 January 1989.

The benefits payable to groups 2 and 3 are determined with reference to the rules of the scheme and are based on the percentage of the average salary for the last 12 months multiplied by the number of years of pensionable service plus a cash lump sum.
The retirement age for all employees is 63 years.

The Group expects to make a contribution of R2,8 million (2019: R2,5 million) to the defined benefit plan during the next financial year.

ACTUARIAL VALUATIONS

Actuarial valuations in terms of the rules of the scheme are done at intervals not exceeding three years to determine its financial position. The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out in March 2019 using the projected unit credit method.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 63.

PERCENT	2019	2018
Principal actuarial assumptions used:		
Discount rate	**1.83**	2.06
Salary increases	**1.50**	1.50
Pension increases per three years	**3.00**	3.00

R MILLION	2019	2018
Benefit liability		
Present value of obligation	**(397)**	(354)
Fair value of plan assets	**313**	277
Net liability per the statement of financial position	**(84)**	(77)
Reconciliation of movement in present value of obligation		
Opening benefit liability at the beginning of the year	**354**	378
Service cost	**6**	6
Interest cost	**8**	7
Exchange differences on foreign plans	**42**	9
Benefits paid	**(15)**	(15)
Remeasurement due to change in economic assumptions	**13**	(18)
Remeasurement due to change in demographic assumptions	**4**	–
Remeasurement due to change in experience	**(15)**	(13)
Closing present value of obligation	**397**	354
Reconciliation of fair value of plan assets		
Opening fair value of plan assets	**277**	283
Exchange differences on foreign plans	**33**	6
Return on plan assets – interest income	**6**	5
Remeasurement – return on plan assets excluding interest income	**9**	(4)
Benefits paid	**(15)**	(15)
Employer's contribution	**3**	2
Closing fair value of plan assets	**313**	277

PERCENT	2019	2018

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.3 SA German pension fund benefits *(continued)*

	2019	2018
The major categories of plan assets as a percentage of total plan assets are:		
Equity	**27**	28
Cash	**49**	49
Other	**24**	23
Total	**100**	100

R MILLION	2019	2018
Current-service cost	**6**	6
Interest on obligation	**8**	7
Return on plan assets	**(6)**	(5)
	8	8

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately R143 million (2018: R112 million) relating to active employees, R27 million (2018: R25 million) relating to deferred members and R227 million (2018: R217 million) relating to members in retirement.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	IMPACT ON DEFINED BENEFIT OBLIGATION		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0,5%**	**Decrease by 7,1%**	**Increase by 8,0%**
Salary increase rate	**0,5%**	**Increase by 1,8%**	**Decrease by 1,6%**
Pension increase rate	**0,5%**	**Increase by 1,9%**	**Decrease by 1,8%**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The net liability per the statement of financial position is denominated in Euro and is translated to South African rand using the closing Rand/Euro exchange rate at year end. As per Note 28.6, the average movement in the Rand/Euro exchange rate over the past four years was 13 percent (2018: 15 percent), therefore a 13 percent (2018: 15 percent) change in the Rand/Euro exchange rate will lead to a change of R10,9 million (2018: R11,6 million) in the net liability recognised at year end.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

32.4 Flight deck crew (FDC) disability benefit

SAA has an agreement with FDC members who are on permanent employment to top up the disability benefits payable by the Transnet Retirement Fund and the SAA Retirement Fund. In terms of the rules of the Transnet Retirement Fund all employees are entitled to 75 percent of the members' pensionable salary payable when a member becomes disabled before the normal retirement age of 63. The agreement with FDC members is for SAA to pay a further 25 percent in addition to what the member would receive from the pension fund in the case of disability. The members or SAA make no additional contribution towards these benefits, and these benefits are therefore unfunded.

In the past, SAA has recognised the full obligation in the financial statements as there were no plan assets or insurance cover in place of these promised benefits. In 2007, SAA took an insurance policy to cover the 25 percent additional benefit to pilots, which resulted in SAA no longer having a legal or constructive obligation to fund the disability benefit.

NUMBER OF SHARES	2019	2018

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.5 Share-based payments

32.5.1 FDC share scheme

The FDC Share Scheme was created for flight deck crew members and Transnet Limited allocated 40 150 000 class E ordinary R1,00 shares of SAA to the scheme. These shares are held as follows:		
South African Airways Employee Share Trust	**3 431 418**	3 431 418
	3 431 418	3 431 418

NUMBER OF SHARES	2019	2018
32.5.2 Share incentive scheme		
The scheme granted two types of shares, ie joining and promotional shares to management. The promotional shares had a 12-month vesting period and the joining shares had a 24-month vesting period. Vesting was calculated from 1 April 1999 or when the employee joined the company. The employees could exercise these options at 25 percent per annum after vesting took place. These shares are held as follows:		
South African Airways Employee Share Trust	**23 005 660**	23 005 660
	23 005 660	23 005 660

NUMBER OF SHARES	2019	2018
32.5.3 Employee share ownership programme (ESOP)		
This scheme was implemented in March 2001, granting employees in service of SAA on or before 1 April 1999 options to purchase shares at R1,00 per share. These shares vested over a three year period and were fully vested as at 31 March 2004. These shares are held as follows:		
South African Airways Employee Share Trust	**91 141 728**	91 141 728
	91 141 728	91 141 728

32.6 Employee wellness programme

The Group offers employees and their immediate families access to an holistic health and wellness programme, providing life skills, awareness, counselling and education programmes to promote healthy lifestyles and coping skills. The programme is aimed at providing support covering a whole range of health and medical conditions, including HIV and Aids.

32.7 Travel benefits

The Group offers certain air travel benefits to both current employees and retirees. A percentage of the face value of the air ticket is normally paid in respect of the benefit (with such percentage exceeding the marginal cost of supplying the service) and the ticket is only issued on a “standby” basis, with fare paying passengers always having preference. Employees and retirees may only fly if there is available space on the flight.

R THOUSAND	2019	2018
33. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES		
EXECUTIVE DIRECTORS' AND KEY MANAGEMENT EMOLUMENTS		
Mango Airlines SOC Limited		
Ms M Labuschagne[1]		
Salary	**2 135**	1 810
Other benefits[2]	**–**	833
	2 135	2 643
Mr N Vlok[3]		
Salary	**2 017**	3 300
Other benefits[2]	**–**	2 181
	2 017	5 481
Ms P Luhabe[4]		
Salary	**–**	1 294
Other benefits[2]	**–**	598
	–	1 892
Ms T Smith		
Salary	**554**	–
	554	–
SAA Technical SOC Limited		
Mr M Zwane[6]		
Salary	**849**	3 609
Allowance	**87**	360
Leave pay paid out	**521**	–
	1 457	3 969
Mr D Erriah[7]		
Salary	**–**	1 049
Leave pay paid out	**–**	179
	–	1 228
Mr WN Nyuswa[8]		
Salary	**630**	492
Allowance	**227**	72
Retirement fund contributions	**55**	–
	912	564
Mr AI Seedat[9]		
Salary	**1 099**	128
Allowance	**165**	–
Retirement fund contributions	**88**	–
	1 352	128
Mr HB Venter[10]		
Salary	**1 424**	–
Retirement fund contributions	**110**	–
	1 534	–
Mr T Zakuza[11]		
Salary	**1 133**	–
	1 133	–

R THOUSAND	2019	2018
33. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES (continued)		
EXECUTIVE DIRECTORS' AND KEY MANAGEMENT EMOLUMENTS		
Air Chefs SOC Limited		
Mr M Kemp(12)		
Salary	**2 378**	814
Retirement fund contributions	**169**	75
Allowance	**75**	359
	2 622	1 248
Mr L Hudson(13)		
Salary	**748**	1 396
Allowance	**12**	–
	760	1 396
Mr AK Mohamed(14)		
Salary	**433**	–
Allowance	**5**	–
	438	–
Mr S Shongwe(15)		
Salary	**286**	–
Retirement fund contributions	**20**	–
Allowance	**46**	–
	352	–

(1) Appointed as Acting CEO from 1 November 2018 and was CFO until 30 November 2018.
(2) This payment relates to a variable payment in respect of March 2018 financial performance. Board approval received and payment made during the 2018/2019 financial year.
(3) Resigned as Acting CEO on 31 October 2018. Mr N Vlok was not appointed as an executive director, but was considered to be key management personnel of Mango Airlines SOC Limited.
(4) Resigned 31 December 2017.
(5) Appointed as Acting CFO from 1 December 2018. Ms T Smith was not appointed as an executive director, but is considered to be key management personnel of Mango Airlines SOC Limited.
(6) Removed 27 June 2018.
(7) Resigned 30 September 2017.
(8) Appointed as Acting CFO from 1 October 2017 to 19 March 2018 and Acting CEO from 12 March 2018 to 19 November 2018. Mr WN Nyuswa was not appointed as an executive director, but was considered to be key management personnel of SAA Technical SOC Limited.
(9) Appointed as Acting CFO from 19 March 2018 to 19 November 2018. Mr AI Seedat was not appointed as an executive director, but was considered to be key management personnel of SAA Technical SOC Limited.
(10) Appointed as Acting CEO from 20 November 2018. Mr HB Venter was not appointed as an executive director, but is considered to be key management personnel of SAA Technical SOC Limited.
(11) Appointed as Acting CFO from 20 November 2018. Mr T Zakuza was not appointed as an executive director, but is considered to be key management personnel of SAA Technical SOC Limited.
(12) Emoluments were lower in the 2017/2018 financial year as Mr M Kemp was seconded to SAA as General Manager Human Resources from 3 July 2017 to 21 November 2017.
(13) Emoluments were lower in the 2017/2018 financial year as Mr L Hudson took a two month sabbatical during that year. Mr L Hudson resigned 8 August 2018.
(14) Appointed as Acting CFO from 17 September 2018 to 31 December 2018. Mr AK Mohamed was not appointed as an executive director, but was considered to be key management personnel of Air Chefs SOC Limited.
(15) Appointed as Acting CFO from 9 August 2018 to 16 September 2018 and again from 1 January 2019. Mr S Shongwe was not appointed as an executive director, but is considered to be key management personnel of Air Chefs SOC Limited.

R THOUSAND	2019	2018
33. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES (continued)		
NON-EXECUTIVE DIRECTORS' EMOLUMENTS		
Mango Airlines SOC Limited		
Mr MP Tshisevhe	**644**	870
Ms JG Sepamla[16]	**–**	315
Ms T Mhlari[17]	**267**	107
Mr AH Moosa[18]	**212**	–
Mr G Rothschild[18]	**233**	–
	1 356	1 292
SAA Technical SOC Limited		
Mr AH Moosa	**128**	128
Mr SS Buthelezi[19]	**–**	351
Ms TN Mgoduso	**128**	128
Mr AI Bassa[17]	**601**	250
	857	857
Air Chefs SOC Limited		
Ms JG Sepamla[19]	**–**	259
Ms BS Tshabalala[20]	**148**	241
Mr M Malunga[19]	**–**	56
Mr HP Maluleka[21]	**64**	40
Mr G Rothschild[17]	**300**	40
Ms TN Mgoduso[22]	**32**	–
Ms T Mhlari[22]	**32**	–
	576	636
South African Airways City Center SOC Limited		
Mr T Lehasa[23]	**–**	–
Mr SS Buthelezi[24]	**–**	11
Mr M Malunga[24]	**–**	11
Ms P Nhantsi[25]	**–**	–
Mr A Munetsi[26]	**–**	–
Ms F Thabethe[27]	**–**	–
Mr E Lusenga[28]	**–**	–
Ms P Luhabe[28]	**–**	–
	–	22

(16) Appointed 7 April 2017 and resigned 3 November 2017.
(17) Appointed 18 November 2017.
(18) Appointed 28 May 2018.
(19) Resigned 3 November 2017.
(20) Resigned 30 July 2018.
(21) Appointed 18 November 2017 and resigned 29 November 2018.
(22) Appointed 29 November 2018.
(23) Resigned 26 July 2017.
(24) Appointed 20 July 2017 and resigned 3 November 2017.
(25) Appointed 11 December 2017 and removed 27 June 2018.
(26) Appointed 11 December 2017.
(27) Appointed 11 December 2017 and resigned 28 February 2018.
(28) Appointed 31 August 2018.

34. TAXATION

R MILLION	Notes	GROUP 2019	GROUP 2018 Restated*	GROUP 2017 Restated*	COMPANY 2019	COMPANY 2018 Restated*	COMPANY 2017 Restated*
Major components of the tax expense							
Current							
Local income tax – current year		**8**	(20)	–	**–**	–	–
Deferred							
Deferred tax – current year	5	**37**	(29)	(210)	**–**	–	–
Deferred tax recognised on components of other comprehensive income – current year		**–**	–	(30)	**–**	–	–
		45	(49)	(240)	**–**	–	–
Reconciliation of the tax expense							
Reconciliation between accounting loss and tax expense:							
Accounting loss		**6 528**	5 436	5 229	**5 834**	5 051	6 337
Tax at the applicable tax rate of 28% (2018: 28%)		**1 828**	1 522	1 464	**1 634**	1 414	1 774
Tax effect of adjustments on taxable income							
Tax effect of non-taxable income		**62**	141	219	**62**	141	45
Tax effect of non-deductible expenses		**11**	(160)	(244)	**11**	(154)	(239)
Current year temporary differences for which no deferred income tax asset was recognised		**137**	(129)	(414)	**134**	(48)	(450)
Tax losses for which no deferred income tax asset was recognised		**(1 993)**	(1 423)	(1 235)	**(1 841)**	(1 353)	(1 130)
Deferred tax recognised in other comprehensive income		**–**	–	(30)	**–**	–	–
		45	(49)	(240)	**–**	–	–
Estimated tax losses available to be utilised against future taxable income		**32 401**	25 283	20 201	**30 698**	24 123	19 291

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements. The reconciliation of deferred tax in Note 35 has also been restated.*

35. DEFERRED TAX ASSET

R MILLION	Notes	GROUP 2019	GROUP 2018 Restated*	GROUP 2017 Restated*	COMPANY 2019	COMPANY 2018 Restated*	COMPANY 2017 Restated*
Temporary differences in respect of property, aircraft and equipment		**(409)**	(533)	(497)	**(383)**	(496)	(519)
Doubtful debts		**252**	28	30	**249**	25	27
Air traffic liability and other deferred income		**1 143**	1 154	1 174	**1 102**	1 086	1 129
Provisions		**1 278**	1 856	1 928	**949**	1 474	1 633
Prepayments		**(13)**	(117)	112	**(13)**	(50)	110
Differences due to changes in fair value of financial instruments		**–**	(7)	(11)	**–**	(7)	(11)
Consumable stock		**–**	7	7	**–**	7	7
Leased assets		**–**	–	3	**–**	–	–
Computed tax loss		**9 072**	7 079	5 656	**8 595**	6 754	5 401
		11 323	9 467	8 402	**10 499**	8 793	7 777
Deferred tax asset not recognised		**(11 273)**	(9 455)	(8 361)	**(10 499)**	(8 793)	(7 777)
Deferred tax asset recognised	5	**50**	12	41	**–**	–	–

RECOGNITION OF DEFERRED TAX ASSET

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable income is probable. The Group did not recognise deferred tax assets of R11,3 billion (2018: R9,5 billion) in respect of losses amounting to R32,4 billion (2018: R25,3 billion) that can be carried forward against future taxable income. It is anticipated that there will be sufficient taxable income in future periods to support the recognition of the deferred tax asset reflected above.

R MILLION	GROUP 2019	GROUP 2018 Restated*	GROUP 2017 Restated*	COMPANY 2019	COMPANY 2018 Restated*	COMPANY 2017 Restated*
36. TAX PAID						
Movement in the deferred tax balance in the current year	**(38)**	29	240	**–**	–	–
Movement in the current tax receivable balance in the current year	**(34)**	(24)	–	**–**	–	–
Current tax recognised for the year	**45**	(49)	(210)	**–**	–	–
Deferred tax recognised in other comprehensive income in the current year	**–**	–	(30)	**–**	–	–
Tax paid in foreign jurisdictions	**(4)**	(14)	(9)	**(4)**	(14)	(9)
Tax paid per statement of cash flows	**(31)**	(58)	(9)	**(4)**	(14)	(9)

* *Tax paid in foreign jurisdictions was restated in the current and prior years. Please refer to Note 5 for more details regarding prior year restatements.*

R MILLION	2019 Cost/ valuation	2019 Accumulated amortisation/ impairment	2019 Carrying value	2018 Cost/ valuation	2018 Accumulated amortisation/ impairment	2018 Carrying value
37. INTANGIBLE ASSETS						
GROUP						
Software development	**601**	**(417)**	**184**	580	(386)	194
Goodwill*	**35**	**(35)**	**–**	35	(35)	–
Capital work in progress	**10**	**–**	**10**	19	–	19
Total	**646**	**(452)**	**194**	634	(421)	213
COMPANY						
Software development	**437**	**(388)**	**49**	419	(357)	62
Capital work in progress	**10**	**–**	**10**	19	–	19
Total	**447**	**(388)**	**59**	438	(357)	81

R MILLION	Software development	Goodwill*	Capital work in progress	Total
GROUP				
Reconciliation				
Opening balance	111	–	133	244
Additions	4	–	17	21
Disposals	(9)	–	–	(9)
Transfer from capital work in progress	131	–	(131)	–
Amortisation	(43)	–	–	(43)
Balance at 31 March 2018	194	–	19	213
Opening balance	**194**	**–**	**19**	**213**
Additions	**18**	**–**	**9**	**27**
Transfer from capital work in progress	**18**	**–**	**(18)**	**–**
Amortisation	**(46)**	**–**	**–**	**(46)**
Balance at 31 March 2019	**184**	**–**	**10**	**194**

R MILLION	Software development	Capital work in progress	Total
37. INTANGIBLE ASSETS (continued)			
COMPANY			
Reconciliation			
Opening balance	91	133	224
Additions	1	18	19
Disposals	–	(131)	(131)
Transfer from capital work in progress	1	(1)	–
Amortisation	(31)	–	(31)
Balance at 31 March 2018	62	19	81
Opening balance	**62**	**19**	**81**
Additions	**–**	**9**	**9**
Transfer from capital work in progress	**18**	**(18)**	**–**
Amortisation	**(31)**	**–**	**(31)**
Balance at 31 March 2019	**49**	**10**	**59**

* *The goodwill arose from the acquisition of Air Chefs SOC Limited and has been impaired in full.*

		GROUP			COMPANY		
R MILLION	**Note**	**2019**	**2018 Restated***	**2017 Restated***	**2019**	**2018 Restated***	**2017 Restated***
38. INVENTORIES							
Maintenance inventories	5	**1 180**	1 293	1 316	**–**	–	–
Work in progress		**193**	191	36	**–**	–	–
Consumables	5	**146**	180	166	**72**	100	89
		1 519	1 664	1 518	**72**	100	89
Impairment of Inventories		**(527)**	(622)	(651)	**–**	–	–
		992	1 042	867	**72**	100	89
Reconciliation of impairment of inventories							
Opening balance		**(622)**	(651)		**–**	–	
Reversal of previous write-downs to net realisable value		**95**	110		**–**	–	
Write-down of inventories recognised as an expense during the year		**–**	(81)		**–**	–	
Closing balance		**(527)**	(622)		**–**	–	

The write-down of inventories in the prior year relates to the impairment of obsolete aircraft spares. This stock was impaired to its net realisable value. The reversal of write-down of inventories in the current and prior year relates to obsolete aircraft spares that were written down to their net realisable value and were subsequently sold.

39. CONTINGENT LIABILITIES AND UNQUANTIFIABLE EXPOSURE

CIVIL LITIGATION, LABOUR AND PASSENGER CLAIMS

SAA is not in a position to assess the full extent of the financial exposure that may attach to these claims as a consequence of an order of court but has made an appropriate estimate of all necessary costs in the current year's annual financial statements based on legal advice received.

PASSENGER PROTECTION GUARANTEE – MANGO AIRLINES SOC LIMITED

South African Airways SOC Limited issued a guarantee on behalf of Mango Airlines SOC Limited to the Civil Aviation Authority for an amount of R80 million as a Passenger Protection Guarantee.

	GROUP		COMPANY	
R MILLION	**2019**	**2018**	**2019**	**2018**
40. FAIR VALUE AND TRANSLATION MOVEMENTS				
Foreign exchange (gain)/loss on translation of:				
Foreign cash balances	**(86)**	442	**(89)**	442
Foreign currency denominated net receivables	**124**	(81)	**125**	(95)
Net monetary assets and liabilities	**(593)**	435	**(575)**	424
Translation of foreign assets and liabilities	**(555)**	796	**(539)**	771
Fair value (gain)/loss on derivative instruments held-for-trading:				
Realised gain on derivatives	**(31)**	(20)	**(31)**	(20)
Fair value loss on derivative financial instruments	**28**	53	**28**	53
Net fair value (gain)/loss on derivative instruments held-for-trading	**(3)**	33	**(3)**	33
Total fair value and translation movements	**(558)**	829	**(542)**	804

R MILLION	Gross	Tax	Net
41. OTHER COMPREHENSIVE INCOME/(LOSS)			
COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)			
GROUP – 2019			
Movements in other reserves			
Remeasurement of SAA German Pension Fund	**7**	**–**	**7**
Remeasurement of SAA subfund of Transport Pension Fund	**(10)**	**–**	**(10)**
Remeasurement of post-retirement medical benefits	**4**	**–**	**4**
	1	**–**	**1**
GROUP – 2018			
Movements in other reserves			
Remeasurement of SAA German Pension Fund	27	–	27
Remeasurement of SAA subfund of Transport Pension Fund	(17)	–	(17)
Remeasurement of post-retirement medical benefits	(9)	–	(9)
Change in value of available-for-sale financial asset	6	–	6
	7	–	7
COMPANY – 2019			
Movements in other reserves			
Remeasurement of SAA German Pension Fund	**7**	**–**	**7**
Remeasurement of SAA subfund of Transport Pension Fund	**(10)**	**–**	**(10)**
Remeasurement of post-retirement medical benefits	**4**	**–**	**4**
	1	**–**	**1**
COMPANY – 2018			
Movements in other reserves			
Remeasurement of SAA German Pension Fund	27	–	27
Remeasurement of SAA subfund of Transport Pension Fund	(17)	–	(17)
Remeasurement of post-retirement medical benefits	(9)	–	(9)
Change in value of available-for-sale financial asset	6	–	6
	7	–	7

42. INFORMATION REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT

SAA is a state owned company and listed as a Schedule 2 Major Public Entity in terms of the PFMA (Act No 1 of 1999). The SAA Board as the accounting authority, has the responsibility of ensuring that SAA has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The design and implementation of effective controls has been delegated to the SAA executive management.

The tables below indicate the PFMA non-compliance for 2018/2019 compared to the 2017/2018 financial year:

	GROUP		COMPANY	
R MILLION	**2019**	**2018**	**2019**	**2018**
Fruitless and wasteful expenditure				
Opening balance	**24.8**	46.2	**14.5**	30.9
Add: Fruitless and wasteful expenditure – current year	**153.2**	130.3	**2.5**	123.6
Less: Condoned or written off by relevant authority	**–**	(138,8)	**–**	(138.8)
Less: Transfer to receivables for recovery	**(1.0)**	(12.9)	**(1.0)**	(1.2)
Fruitless and wasteful expenditure closing balance	**177.0**	24.8	**16.0**	14.5

Fruitless and wasteful expenditure of R153,2 million incurred in the current year, includes the following: visa fines, penalties incurred due to the late payment of invoices, penalties on the late return of aircraft components, turn around time/ dispatch reliability penalties, interest on overdue accounts due to cash constraints, SARS penalties for delays in IRP5's and IATA penalties for late payment of subscription fees. The amount of R1 million transferred to receivables has already been recovered by the Group from responsible persons (employees and service providers).

The Group has appointed internal resources who will be verifying the fruitless and wasteful expenditure dating back to the 2011/2012 financial year for completeness of the opening balances. Some of the employees who have been found to have incurred fruitless and wasteful expenditure have been dismissed, whilst some resigned before action could be taken against them and others are still under investigation. Permission to write-off fruitless and wasteful expenditure is to be obtained from the relevant internal governance structure in line with the approved delegation of authority and government prescripts issued by National Treasury. The process to investigate and identify responsible employees and to implement consequence management is ongoing and will continue to ensure all those who are responsible are brought to account

	GROUP		COMPANY	
R MILLION	**2019**	**2018**	**2019**	**2018**
Irregular spend without loss				
Opening balance	**22 060.6**	113.6	**19 120.6**	110.2
Add: Irregular spend – current year	**2 051.0**	9 962.5	**614.6**	8 563.3
Add: Irregular spend – prior year	**1 310.8**	11 984.5	**–**	10 447.1
Less: Condoned or written off by relevant authority	**(31.7)**	–	**(31.7)**	–
Irregular spend awaiting condonement	**25 390.7**	22 060.6	**19 703.5**	19 120.6

42. INFORMATION REQUIRED BY THE PUBLIC FINANCE MANAGEMENT AC (continued)

Section 55(2)(b)(i) of the PFMA requires the particulars of any irregular expenditure, fruitless and wasteful expenditure and material losses due to criminal conduct be disclosed in the annual financial statements.

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. The scope is broad and includes all transgressions of any laws, regulations, SAA Group policies and procedures and the approved delegation of authority. Irregular expenditure is reported in these annual financial statements regardless of whether the non-compliance was deliberate, accidental, happened unknowingly and in good faith or if value was received or not.

Any contraventions of applicable laws, regulations or policies that occurred is reported as irregular expenditure in the financial period that expenditure is incurred in terms of the accrual basis of accounting. The irregular expenditure is therefore reported over the contract period of each irregular contract. The fact that irregular expenditure was reported does not imply that the expenditure was not authorised, that it was fruitless and wasteful expenditure or that the Group did not obtain value from the transactions.

Irregular expenditure is defined by the relevant internal governance structure in line with the approved delegation of authority and government prescripts such as instruction notes issued by National Treasury. Most of the irregular expenditure incurred to date, relates to legacy contracts where non-compliance was only identified from the 2016/2017 financial year. The total irregular expenditure of R2,1 billion (2018: R10 billion) relates to deviations for confinements undertaken at the international stations and numerous contract extensions exceeding the 15 percent or R15 million threshold as required by the National Treasury Instruction Note 3 of 2016/2017. These extensions would require the prior approval of National Treasury.

Due to the financial challenges faced by the SAA Group, the Board resolved that expiring contracts should be extended on a month-to-month or six monthly basis. Additionally, cost initiatives were put in place which included negotiations with some of the current suppliers to cut costs, which meant that some of the contracts have not been issued out on tender, but extended, resulting in increased irregular expenditure. This has been done to ensure business continuity and minimise business disruptions which would have otherwise led to further losses. Outstations did not fully implement changes made to the current Group Supply Chain Management policy in the countries and locations within which they operate. This is being addressed through training. A plan of action has been put in place to mitigate the recurrence, which includes revising the Supply Chain Management policy and SAA Public Finance Management Act policy and also filling the procurement departments within SAA with proper skills. Additional discussions have been held with National Treasury to put measures in place to mitigate non-compliance. Based on the outcome of these discussions, consequence management and condonements will be implemented.

The Group has initiated a clean- up process to identify and account for all instances of non-compliance leading to irregular expenditure. Internal resources will be appointed to verify the reported figures dating back to the 2011/2012 financial year for completeness of the opening balances. This will require extensive work as all contracts entered into from the 2011/2012 financial year to date need to be reviewed. The exercise aims to address the full population of payments made to determine whether procurement of the related goods and services was compliant with policy, legislation, regulations and National Treasury instructions applicable at the time of award. This will almost certainly result in an increased irregular expenditure figure reported during the following financial year.

As required by the PFMA, the SAA Group will also implement processes to investigate and identify officials responsible for causing or permitting irregular expenditure, determining any losses suffered as a result of the irregular expenditure and identifying the officials who are liable by law. Consequence management remains a critical focus for the Group, several warnings were issued and suspensions/ dismissals were made where necessary. Due to the volume of irregular contracts and payments made, management prioritises the investigations of contracts where fraud risk indicators were identified. The process of consequence management is ongoing and will continue to ensure that all those who are responsible are brought to account.

CRIMINAL CONDUCT:
In terms of Section 86 of the PFMA, SAA must advise the Auditor-General of South Africa (AGSA), the Minister (Shareholder representative) and the National Treasury of any criminal charges it has laid against any person in terms of the PFMA.

In the 2018/19 FY SAA and its subsidiaries reported no incidence of criminal conduct in relation to the Public Finance Management Act. Investigations are going to be conducted as required by the PFMA in terms of the reported irregular, fruitless and wasteful expenditure figures to determine the responsible persons and for consequence management to be implemented. These exercise will determine if there were any criminal elements to the reported non-compliance figures.

R MILLION	COMPANY 2019	2018

43. INVESTMENTS IN SUBSIDIARIES

	2019	2018
Shares at cost	**3 822**	3 822
Impairment of investments in subsidiaries	**(1 688)**	(1 688)
	2 134	2 134

Subsidiary	Place of incorporation	Nature of business
Mango Airlines SOC Limited	South Africa	Airline business
SAA Technical SOC Limited	South Africa	Maintenance of aircraft
Air Chefs SOC Limited	South Africa	Airline catering
South African Airways City Center SOC Limited	South Africa	Travel agency

		PERCENTAGE HOLDING		R MILLION SHARES AT COST	
Name of company	**Shares**	**2019**	**2018**	**2019**	**2018**
Mango Airlines SOC Limited	1 120	**100**	100	**336**	336
SAA Technical SOC Limited	640	**100**	100	**3 160**	3 160
Air Chefs SOC Limited	837	**100**	100	**324**	324
South African Airways City Center SOC Limited	1 000	**100**	100	**2**	2
				3 822	3 822
Impairment of investments in subsidiaries				**(1 688)**	(1 688)
				2 134	2 134

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The net aggregate losses in subsidiaries for the year amounted to R724 million (2018: profit of R177 million).

R MILLION	COMPANY 2019	2018

44. AMOUNTS RECEIVABLE FROM SUBSIDIARIES

	2019	2018
SUBSIDIARIES		
SAA Technical SOC Limited	**434**	–
South African Airways City Center SOC Limited	**19**	18
	453	18
Impairment of loans to subsidiaries	**(19)**	(18)
	434	–

R MILLION	COMPANY 2019	2018
Current assets	**434**	–
	434	–

The amounts receivable from the subsidiaries are interest free. The loans originated based on the financing requirements of the subsidiaries. There are no fixed terms of repayment. This balance was a payable to SAAT in the previous financial year, please refer to Note 45 for the balance in the prior year. The loan to South African Airways City Center SOC Limited (SATC) was fully impaired in prior years.

R MILLION	Notes	COMPANY 2019	2018 Restated*	2017 Restated*
45. AMOUNTS PAYABLE TO SUBSIDIARIES				
SUBSIDIARIES				
Mango Airlines SOC Limited		**81**	75	357
SAA Technical SOC Limited	5	**–**	413	–
		81	488	357

Certain surplus funds of Mango Airlines SOC Limited (Mango) are held by South African Airways SOC Limited and attract interest at a market related interest rate (Prime less 2,7%). There is a contractual agreement in place with Mango that these capital sums shall remain unencumbered and free from any claim or attachment by a third party. This balance has been classified in payables, as it is unlikely that monies will be recalled within 3 months.

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
46. INVESTMENTS				
Investment in unlisted shares				
SA Airlink (Pty) Limited	**35**	35	**35**	35
	35	35	**35**	35
Investment in share trust				
South African Airways Employee Share Trust	**–**	–	**157**	157
Impairment of the loan to South African Airways Employee Share Trust	**–**	–	**(157)**	(157)
	–	–	**–**	–

MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
47. SHARE CAPITAL				
Authorised				
9 000 000 000 Class A ordinary shares of R1 each	**9 000**	9 000	**9 000**	9 000
3 000 000 000 Class B ordinary shares of R1 each	**3 000**	3 000	**3 000**	3 000
1 500 000 000 Class C ordinary shares of R1 each	**1 500**	1 500	**1 500**	1 500
750 000 000 Class D ordinary shares of R1 each	**750**	750	**750**	750
750 000 000 Class E ordinary shares of R1 each	**750**	750	**750**	750
	15 000	15 000	**15 000**	15 000
Reconciliation of number of shares issued:				
Opening balance	**12 892**	12 892	**13 126**	13 126
R MILLION				
Issued				
8 786 771 465 Class A ordinary shares of R1 each	**8 787**	8 787	**8 787**	8 787
2 412 563 822 Class B ordinary shares of R1 each	**2 413**	2 413	**2 413**	2 413
1 206 281 911 Class C ordinary shares of R1 each	**1 206**	1 206	**1 206**	1 206
603 140 956 Class D ordinary shares of R1 each	**603**	603	**603**	603
117 578 806 Class E ordinary shares of R1 each	**117**	117	**117**	117
Less: Treasury shares	**(234)**	(234)	**–**	–
	12 892	12 892	**13 126**	13 126

All shares in the classes A to D are held by the South African Government, represented by the Department of Public Enterprises, and enjoy the same rights. The class E shares are held by the South African Airways Employee Share Trust.

R MILLION	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018

48. SHAREHOLDER CONTRIBUTION

Balance at the beginning of the year	**10 000**	–	**10 000**	–
Contribution made by shareholder during the year	**5 000**	10 000	**5 000**	10 000
Balance at the end of the year	**15 000**	10 000	**15 000**	10 000

During the 2019 financial year, an amount of R5 billion (2018: R10 billion) invested in the company by the Shareholder was not converted into share capital before year end. The intention was to receive additional shares in South African Airways SOC Limited (SAA) for the investment. Unfortunately at the time, the company did not have sufficient authorised shares available to issue to the Shareholder. SAA had to amend the Memorandum of Incorporation (MOI) in order to be able to issue additional shares. SAA has subsequently amended the MOI and the shares were issued in subsequent year ends.

49. RELATED PARTIES

The SAA Group has applied the exemption under paragraph 25 of IAS 24 to government related entities. South African Airways SOC Limited (SAA) is owned by the Department of Public Enterprises, a South African Government National Department. SAA is a Schedule 2 Public Entity in terms of the Public Finance Management Act No 1 of 1999 (as amended) (PFMA). Its related parties therefore constitute the Department of Public Enterprises, its subsidiaries, some major public entities falling under Schedule 2 of the PFMA and key management personnel.

Public entities that are classified as Schedule 2 major public entities are omitted from detailed disclosure as per paragraphs 25 and 26 of IAS 24. The exemption also applies to the Department of Public Enterprises. The following significant transaction was entered into with South African Express SOC Limited (SAX) and is disclosed as required by paragraph 26 of IAS 24. The transaction that was entered into with SAX was a cash neutrality advance of R269 million (2018: R313 million). The prepayment is done in order to compensate SAX for the loss of interest and cash flow impact caused by the delay in the settlement of flown revenues when the service is rendered by SAX. This amount has been fully impaired, as the amount may be irrecoverable, due to uncertainty relating to SAX's ability to continue as a going concern.

The revenue from the sale of tickets to related parties has been quantified based on the information available from frequent flyer corporate contracts entered into with the Group. The frequent flyer participants qualify for the same benefits as all other third parties who participate in this frequent flyer programme for corporates. Other ticket sales with related parties were made on terms equivalent to those that prevail in arms' length transactions. The revenue from the sale of tickets that are not reported in terms of these contracts has not been disclosed as it is, and will continue to be, impossible to quantify these sales due to the nature of the distribution network. In addition, there is no requirement or obligation for any related party to purchase its tickets from SAA with the result that SAA's relationship with these parties has no impact on related party sales and would not negatively impact results should the relationship be terminated.

SAA recognised lease income on aircraft subleased to one of its subsidiaries during the current financial year to the value of R199 million (2018: R202 million). SAA also received a dividend of R40 million from one of its subsidiaries during the current financial year.

The Group and its subsidiaries, in the ordinary course of business, enter into various other sales, purchase and service agreements with other parties within the SAA Group. The transactions entered into by entities within the Group are eliminated on consolidation.

R THOUSAND	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
RELATED PARTY BALANCES				
Amounts receivable from related parties*				
Subsidiaries	**–**	–	**433 514**	22 015
Public entities	**3 029**	4 629	**24**	–
	3 029	4 629	**433 538**	22 015
Amounts payable to related parties**				
Subsidiaries	**–**	–	**377 402**	673 527
Public entities	**30 122**	134 810	**1 100**	73 722
	30 122	134 810	**378 502**	747 249

* *Amounts receivable represent short- and long-term amounts receivable.*

** *Amounts payable represent short- and long-term amounts payable.*

	GROUP		COMPANY	
R THOUSAND	**2019**	**2018**	**2019**	**2018**

49. RELATED PARTIES (continued)

RELATED PARTY TRANSACTIONS

R THOUSAND	Group 2019	Group 2018	Company 2019	Company 2018
Sales of goods/services				
Subsidiaries	**–**	–	**436 356**	590 637
Public entities	**13 247**	18 307	**335**	131
	13 247	18 307	**436 691**	590 768
Purchases of goods/services				
Subsidiaries	**–**	–	**3 079 877**	3 145 144
Public entities	**746 946**	1 077 466	**12 551**	501 998
	746 946	1 077 466	**3 092 428**	3 647 142
Other transactions				
Subsidiaries	**–**	–	**–**	18 005
Key management personnel*	**61 587**	49 500	**46 321**	30 951
	61 587	49 500	**46 321**	48 956

* *Long- and short-term employee benefits paid to executive members. Executive members' emoluments of subsidiaries that form part of the SAA Group Executive Committee are disclosed in Note 33. The short-term employee benefits reflected below refer to members of the SAA company who are also members of the SAA Group Executive Committee.*

	DIRECTORS' FEES	
R THOUSAND	**2019**	**2018**
Non-executive compensation is set out below:		
BOARD OF DIRECTORS		
Non-executive		
Ms DC Myeni[(1)]	**–**	465
Ms MMT Ramano[(1)]	**–**	222
Mr SS Buthelezi[(1)]	**–**	157
Mr HP Maluleka	**326**	358
Mr M Malunga[(1)]	**–**	208
Ms MS Mbatha[(2)]	**–**	50
Ms TN Mgoduso	**413**	380
Ms N Moola[(1)]	**–**	236
Mr AH Moosa	**397**	397
Ms JG Sepamla[(1)]	**–**	223
Ms BS Tshabalala[(3)]	**145**	436
Mr MP Tshisevhe	**382**	349
Mr JB Magwaza[(4)]	**797**	332
Ms N Fakude[(4), (5)]	**159**	159
Mr G Rothschild[(4)]	**356**	149
Mr AI Bassa[(4)]	**349**	145
Ms T Mhlari[(4)]	**349**	145
Mr ML Kingston[(4)]	**454**	182
	4 127	4 593

(1) Removed 3 November 2017.

(2) Resigned 29 May 2017.

(3) Resigned 30 July 2018.

(4) Appointed 3 November 2017.

(5) Resigned 16 August 2018.

49. RELATED PARTIES (continued)

In terms of the Group's travel benefits policy as referred to in Note 32.7, key management personnel are entitled to utilise surplus capacity on flights at a nominal cost to the beneficiaries and at no loss of revenue to the Group.

R THOUSAND	Salaries	Allowances	Fund contributions	Other benefits[1]	Total
SHORT-TERM EMPLOYEE BENEFITS 2019					
Executive directors[1]					
Mr V Jarana	7 000	–	–	–	7 000
Ms P Nhantsi[3]	874	–	–	359	1 233
Mr RM Head[4]	3 156	1 895	–	–	5 051
Mr D Fredericks[5]	780	–	–	–	780
	11 810	1 895	–	359	14 064
Executive Committee					
Ms N Sonjani[6]	64	10	–	–	74
Mr TP Makhetha[7]	468	–	–	249	717
Ms Z Ramasia	2 752	–	213	–	2 965
Ms L Jiya[8]	1 718	–	–	1 841	3 559
Mr J du Plessis[9]	291	63	27	–	381
Mr P Davies	6 560	–	–	–	6 560
Ms V Raseroka	2 617	–	–	–	2 617
Mr C McQuirk[10]	144	38	14	–	196
Ms P Luhabe	1 834	–	168	–	2 002
Ms M Qofa[11]	3 489	574	–	–	4 063
Mr K Pillay[12]	843	66	84	–	993
Mr HB Venter[13]	2 129	–	165	700	2 994
Mr R Newsome[14]	1 250	–	–	72	1 322
Mr P Luthuli[15]	1 168	307	121	–	1 596
Ms V Nair[16]	771	93	86	–	950
Mr M Makgate[17]	785	–	–	–	785
Mr V Pikoli[18]	448	–	35	–	483
	27 331	1 151	913	2 862	32 257

(1) Other benefits relate to amounts paid on termination of contract in the case of Executive Committee members that left SAA during the 2018/2019 financial year, in the case of members that joined during the current financial year, other benefits relate to a sign-on bonus.

(2) Executive directors of the Board are also members of the Executive Committee.

(3) Removed 27 June 2018.

(4) Appointed as Interim CFO on 11 April 2018 until 30 September 2018.

(5) Appointed as Interim CFO on 15 October 2018.

(6) Appointed as Acting CFO from 12 March 2018 until 10 April 2018.

(7) Resigned 31 May 2018.

(8) Resigned 31 December 2018.

(9) Appointed to the Executive Committee in an acting capacity until 30 June 2018.

(10) Appointed to the Executive Committee in an acting capacity until 30 April 2018.

(11) Appointed to the Executive Committee in an acting capacity effective 1 April 2018.

(12) Appointed to the Executive Committee in an acting capacity effective 12 April 2018 until 31 October 2018.

(13) Appointed 1 May 2018 and was seconded to SAA Technical SOC Limited as their Acting CEO effective 20 November 2018.

(14) Appointed to the Executive Committee in an acting capacity effective 1 May 2018 until 31 October 2018.

(15) Appointed to the Executive Committee in an acting capacity effective 1 June 2018.

(16) Appointed 1 November 2018.

(17) Appointed to the Executive Committee in an acting capacity effective 20 November 2018.

(18) Appointed 1 February 2019.

49. RELATED PARTIES (continued)

SHORT-TERM EMPLOYEE BENEFITS 2017

	Salaries	Allowances	Fund contributions	Total
Executive directors[(1)]				
Mr M Zwane[(2)]	356	–	–	356
Ms P Nhantsi	3 671	–	–	3 671
Mr V Jarana[(3)]	2 917	–	–	2 917
	6 944	–	–	6 944
Executive Committee				
Ms N Sonjani[(4)]	102	15	–	117
Ms ME Mpshe	2 495	–	229	2 724
Mr TP Makhetha	2 882	–	–	2 882
Ms Z Ramasia	2 622	–	209	2 831
Ms U Fikelepi[(5)]	1 318	–	–	1 318
Mr P Ncala[(6)]	2 082	–	–	2 082
Ms L Jiya	2 351	–	–	2 351
Mr J du Plessis	1 149	233	108	1 490
Mr A Munetsi[(7)]	1 095	168	85	1 348
Mr MZ Manqele[(8)]	325	–	–	325
Mr M Kemp[(9)]	582	260	53	895
Mr P Davies[(10)]	2 931	–	–	2 931
Ms F Thabethe[(11)]	732	107	69	908
Ms V Raseroka[(12)]	855	–	–	855
Mr C McQuirk[(13)]	530	145	53	728
Ms P Luhabe[(14)]	203	–	19	222
	22 254	928	825	24 007

(1) Executive directors of the Board are also members of the Executive Committee.
(2) Appointed as Acting CEO until 31 October 2017.
(3) Appointed as CEO on 1 November 2017.
(4) Appointed as Acting CFO on 12 March 2018.
(5) Resigned 31 October 2017.
(6) Resigned 30 November 2017.
(7) Appointed to the Executive Committee in an acting capacity until 18 February 2018.
(8) Appointed to the Executive Committee in an acting capacity until 30 June 2017.
(9) Appointed as Acting General Manager Human Resources from 3 July 2017 to 21 November 2017.
(10) Appointed to the Executive Committee effective 16 October 2017.
(11) Appointed to the Executive Committee in an acting capacity effective 1 November 2017 until 28 February 2018.
(12) Appointed to the Executive Committee in an acting capacity effective 22 November 2017.
(13) Appointed to the Executive Committee in an acting capacity effective 1 December 2017.
(14) Appointed to the Executive Committee effective 19 February 2018.

49. RELATED PARTIES (continued)

	2019 TRAVEL BENEFITS NUMBER OF FLIGHTS			2018 TRAVEL BENEFITS NUMBER OF FLIGHTS		
	International	Domestic	Regional	International	Domestic	Regional
Executive directors						
Mr M Zwane[1]	–	–	–	2	2	–
Ms P Nhantsi[2]	–	6	–	1	26	2
Mr V Jarana[3]	11	35	3	–	6	1
Mr RM Head[4]	11	6	–	–	–	–
Mr D Fredericks[5]	–	1	–	–	–	–
	22	48	3	3	34	3
Executive Committee						
Ms N Sonjani[6]	–	1	–	–	–	–
Ms ME Mpshe	–	–	–	–	9	–
Mr TP Makhetha[7]	–	–	–	–	1	3
Ms Z Ramasia	28	14	2	9	31	1
Ms U Fikelepi[8]	–	–	–	1	6	–
Mr P Ncala[9]	–	–	–	10	1	–
Ms L Jiya[10]	–	18	5	–	19	4
Mr J du Plessis[11]	–	–	–	3	4	5
Mr A Munetsi[12]	–	–	–	8	1	9
Mr MZ Manqele[13]	–	–	–	–	5	2
Mr M Kemp[14]	–	–	–	–	6	–
Mr P Davies[15]	1	–	2	–	–	–
Ms F Thabethe[16]	–	–	–	–	1	–
Ms V Raseroka[17]	9	9	1	–	2	–
Mr C McQuirk[18]	–	–	–	–	4	–
Ms P Luhabe[19]	–	1	–	–	–	–
Ms M Qofa[20]	2	5	4	–	–	–
Mr K Pillay[21]	–	10	–	–	–	–
Mr HB Venter[22]	6	–	–	–	–	–
Mr R Newsome[23]	2	3	1	–	–	–
Mr P Luthuli[24]	–	18	–	–	–	–
Ms V Nair[25]	–	4	1	–	–	–
Mr M Makgate[26]	–	–	–	–	–	–
Mr V Pikoli[27]	–	–	–	–	–	–
	48	83	16	31	90	24

(1) *Appointed as Acting CEO until 31 October 2017.*
(2) *Removed 27 June 2018.*
(3) *Appointed as CEO on 1 November 2017.*
(4) *Appointed as Interim CFO on 11 April 2018 until 30 September 2018.*
(5) *Appointed as Interim CFO on 15 October 2018.*
(6) *Appointed as Acting CFO from 12 March 2018 until 10 April 2018.*
(7) *Resigned 31 May 2018.*
(8) *Resigned 31 October 2017.*
(9) *Resigned 30 November 2017.*
(10) *Resigned 31 December 2018.*
(11) *Appointed to the Executive Committee in an acting capacity until 30 June 2018.*
(12) *Appointed to the Executive Committee in an acting capacity until 18 February 2018.*
(13) *Appointed to the Executive Committee in an acting capacity until 30 June 2017.*
(14) *Appointed as Acting General Manager Human Resources from 3 July 2017 to 21 November 2017.*
(15) *Appointed to the Executive Committee effective 16 October 2017.*
(16) *Appointed to the Executive Committee in an acting capacity effective 1 November 2017 until 28 February 2018.*
(17) *Appointed to the Executive Committee in an acting capacity effective 22 November 2017.*
(18) *Appointed to the Executive Committee in an acting capacity effective 1 December 2017 until 30 April 2018.*
(19) *Appointed to the Executive Committee effective 19 February 2018.*
(20) *Appointed to the Executive Committee in an acting capacity effective 1 April 2018.*
(21) *Appointed to the Executive Committee in an acting capacity effective 12 April 2018 until 31 October 2018.*
(22) *Appointed 1 May 2018 and was seconded to SAA Technical SOC Limited as their Acting CEO effective 20 November 2018.*
(23) *Appointed to the Executive Committee in an acting capacity effective 1 May 2018 until 31 October 2018.*
(24) *Appointed to the Executive Committee in an acting capacity effective 1 June 2018.*
(25) *Appointed 1 November 2018.*
(26) *Appointed to the Executive Committee in an acting capacity effective 20 November 2018.*
(27) *Appointed 1 February 2019.*

50. EVENTS SUBSEQUENT TO THE REPORTING DATE

The annual financial statements have not been adjusted for the transactions below but these have been disclosed as they are perceived to be material to the user.

BUSINESS RESCUE

On 5 December 2019 the Board of South African Airways (SAA), with the Shareholder's support, placed the company under business rescue pursuant to the filing of a resolution in terms of section 129(1) of the Companies Act 71 of 2008. Mr L Matuson of Matuson and Associates, as well as Mr S Dongwana of Adamantem (Pty) Ltd, were appointed joint business rescue practitioners (BRPs). The BRPs assumed the full management control of the Company in substitution of its Board for the duration of the business rescue process.

The BRPs initially presented the Business Rescue Plan ("plan") to the creditors on 16 June 2020, and the updated one for adjustments on 13 July 2020. The plan was approved and adopted on 14 July 2020 at the meeting of creditors and other holders of a voting interest, as contemplated in terms of section 151 of the Companies Act.

The business rescue process included the following:

- General concurrent creditors of approximately R8 billion were compromised and they will receive a dividend of R600 million over a three-year period commencing August 2021, being approximately 7.5 cents in the rand;
- All post-commencement creditors were paid;
- All aircraft leases were canceled and the aircraft returned to the lessors;
- Lessors with a potential exposure of approximately R30 billion settled on a dividend of R1,7 billion over a three-year period. This equates to six month's rental payments less cash deposits held by the lessors;
- The organisational structure was restructured, and a voluntary severance program introduced. Permanent headcount was further reduced via a section 189 process from 4661 to 810;
- A Receivership would be established in order to restructure the balance sheet;
- The liabilities relating to the general concurrent creditors (R600 million), lessor debt (R1,7 billion) and legacy loan debt (R5,1 billion) totalling R 7,4 billion would be transferred to the Receivership;
- A signed commitment was received from the Shareholder committing to provide the financial support required for the business plan in the short and medium term;
- The Receivership will be funded by the Shareholder;
- SAA received R7,8 billion in funding to settle post commencement creditors, employee liabilities and a portion of the unflown ticket liabilities. Additional funding for unflown ticket liabilities will be provided by the Shareholder at a later date;
- On 30 April 2021 the BRPs filed a Certificate of Substantial Implementation and SAA exited Business Rescue;
- The Receivership was established and the liabilities transferred to the Receivership;
- The Interim Board regained authority over the company;
- SAA emerged from business rescue with positive equity.

COVID–19

1. SAA

On 11 March 2020 the World Health Organisation declared COVID-19 a pandemic. Around the world governments started declaring lockdowns and borders were closed to travel. On 23 March 2020 a national lockdown was announced for South Africa, effective 27 March 2020. SAA returned all aircraft to base and grounded all commercial flights on 27 March 2020. The lockdown regulations were severe with all interprovincial travel prohibited and all borders closed. Only essential workers were allowed to work.

The only flights that were then operated by SAA were charters to repatriate passengers to their home countries and bring South Africans home, together with cargo flights to transport Personal Protective Equipment ("PPE") required for the COVID-19 pandemic. When the ban on air travel was lifted in June 2020 with the reduction in the lockdown levels, SAA did not return to the skies but remained grounded with a likely restart date being September 2021.

2. Subsidiaries

SOUTH AFRICAN AIRWAYS TECHNICAL (SAAT)

During the period December 2018 and December 2019 SAA provided financial assistance to SAAT in the amount R784 million via the process of sweeping bank accounts to ensure there were funds available to pay expenses on a daily basis. The daily sweeping of the bank accounts was stopped when SAA entered business rescue. The requirements of section 45 of the Companies Act which governs financial assistance to subsidiaries was not complied with. A submission was subsequently sent to the Minister of Public Enterprises to request regularisation of this loan.

SAAT was particularly hard hit by the COVID-19 pandemic. Not only was its main customer SAA grounded, but also its remaining domestic customers. Revenues dried up and SAAT had insufficient funding to pay its overheads. SAAT has applied to the Shareholder for funding and an amount of R1,6 billion was appropriated to assist with the restructuring of the company. A section 189 process was undertaken and SAAT emerged a significantly smaller organization. SAAT has been dealt further challenges in that its next largest customer, the Comair Group, was liquidated during 2022.

AIR CHEFS

Air Chefs was also severely impacted by COVID-19 and the lockdown, particularly as it is overly dependent on SAA for business. In addition, the international airlines it serviced have not returned to South Africa with the frequency or scale of the pre COVID-19 days. Air Chefs had limited operations during the latter half of 2020 and suspended operations on 28 January 2021 and restarted operations on a smaller scale in June 2021. Air Chefs has also applied for funding and received R218 million to address the costs of restructuring. A section 189 process was concluded and Air Chefs has been significantly reduced in size.

50. EVENTS SUBSEQUENT TO THE REPORTING DATE (continued)

2. Subsidiaries (continued)

MANGO

Mango had been making losses before lockdown. Mango was also grounded when South Africa went into stage 5 lockdown on 27 March 2020 and no flight operations were carried out during the lockdown period. Mango did however start flying in June 2020 when the lockdown levels allowed for domestic air travel, but has suffered significant losses in the ensuing period. Cash flow was negatively affected and Mango had been unable to pay employees or creditors. Mango also applied for funding to assist a business restructure and R819 million was appropriated of which R 734 million has been paid over to Mango. Effective 28 July 2021 Mango was placed in voluntary business rescue. The business rescue practitioner has indicated that there is an identified buyer for the business and that they are still of the opinion that there is a reasonable prospect of rescuing the company or that the business rescue process would result in a better outcome for creditors and shareholders than if the company were placed in liquidation.

STRATEGIC EQUITY PARTNERSHIP PROCESS

Minister of Public Enterprises announced that a non-binding memorandum of understanding had been signed for between the Department of Public Enterprises and Takatso Consortium, for the disposal of a 51 percent stake in SAA. The due diligence exercise for this process was undertaken and a Share Purchase Agreement signed on 22 February 2022. The sale is not yet finalised, while the competitions Tribunal has ruled positively on the matter, there are a number of regulatory approvals that have been applied for and that still need to be received. Should the sale go through the SEP will be able to advance SAA much needed cash for working capital.

Funding/Recapitalisation

From 1 April 2019 to 30 June 2023 the Shareholder has provided R33,1 billion funding to SAA as follows:

- 30 August 2019 – R2 billion (working capital);
- 30 September 2019 – R3,5 billion (to repay lenders);
- 30 July 2020 – R3,6 billion (post commencement funding);
- 1 September 2020 – R6,5 billion (post commencement funding and legacy debt);
- 30 November 2020 – R1,5 billion (funding of business rescue plan);
- 20 January 2021 – R1,3 billion (funding business rescue plan);
- 8 February 2021 – R0,3 billion (guarantees of letters of credit);
- 15 February 2021 – R5 billion (funding of business rescue plan);
- 13 August 2021 – R0,9 billion (funding of subsidiaries);
- 20 August 2021 – R0,1 billion (funding of subsidiaries);
- 31 August 2021 – R4,1 billion (funding of first tranche of receivership payments);
- 17 September 2021 – R0,9 billion (funding of subsidiaries);
- 28 October 2021 – R0,1 billion (funding of subsidiaries);
- 25 November 2021 – R0,3 billion (funding of subsidiaries);
- 31 March 2022 – R0,4 billion (funding of subsidiaries);
- 4 August 2022 – R1,6 billion (to repay lenders); and
- 3 April 2023 – R1 billion (to pay receivership liabilities).

GOVERNANCE

Non-Executive Director Movements

During the 2019/2020 financial year resignations from the Board included the Chairperson Mr JB Magwaza on 31 July 2019 as well as Ms T Mhlari (27 June 2019), Ms N Fakude (16 August 2019), and Mr M Kingston (17 January 2020). Ms T Mgoduso was appointed Acting Chairperson 14 April 2020 after the resignation of Ms Zuks Ramasia, the then Acting CEO.

The following non-executive directors ("NEDs") ceased their directorships in the Company during the 2020/2021 financial year: Messrs A Bassa, G Rothschild and P Maluleka were retired by the Minister on 26 June 2020, Mr A Moosa resigned on 25 August 2020, and Ms T Mgoduso on 15 October 2020.

On 8 December 2020 Mr Pravin Gordhan, the Minister of Public Enterprises ("Minister"), appointed additional NEDs comprising of Mr N Fadugba, Ms J Crawford, Ms B Zwane, Prof E van Harte and Mr G Qhena as interim Chairperson. Ms Crawford resigned on 7 June 2021 while Mr Qhena resigned on 30 June 2021. Subsequent to the resignation of Mr Qhena, the Minister appointed Professor MJ Lamola as interim Non-Executive Chairperson on 14 July 2021. On 22 July 2021, Mr Tshisevhe resigned from the Board of the Company while Professor van Harte resigned on 7 December 2021.

Subsequent to the appointment of Professor Lamola as Executive Chair on 14 July 2022 as referenced below, Ms Zwane assumed the role of Lead Independent Director.

On 17 April 2023, Ms B Zwane and Mr N Fadugba retired from the Board of SAA and were replaced by Mr DA Hanekom (Interim Chairperson), Ms FBB Abdul Gany, Ms F Sithebe, Adv JC Weapond, Mr DH Sangweni and Mr MS Mazwi. Professor Lamola stepped down as Chairperson and was appointed Interim Chief Executive Officer.

50. EVENTS SUBSEQUENT TO THE REPORTING DATE (continued)

GOVERNANCE

Executive Director and other Movements

The CEO of SAA Mr V Jarana resigned on 10 June 2019 and was replaced by Ms Z Ramasia as Acting CEO. Ms Ramasia resigned on 14 April 2020. Due to the uncertain environment over the reporting period, there was a steady stream of resignations from the executive cadre at SAA during the period. The Board undertook an executive search and during April 2021 appointed an interim executive management team comprising Mr T Kgokolo (Interim CEO), Mr Z Mhlontlo (Interim CFO), Ms M Letlape (Interim Executive: HR) and Captain S Reiling (Interim Executive: Operations). Mr S Newton-Smith was appointed as Interim Executive: Commercial effective from 1 August 2021.

Mr Kgokolo resigned as interim CEO when his contract expired on 30 April 2022, while Captain Reiling accepted an international appointment and left SAA on 31 May 2022. Following Captain Reiling's departure from SAA, Mr Madoda Nkalane assumed the role of Acting Executive: Operations. Mr Newton-Smith left SAA at the expiry of his contract on 31 August 2021 and was replaced by Mr Tebogo Tsimane as Acting Executive: Commercial.

Mr Z Mhlontlo left SAA on 31 May 2023 after the expiration of his contract and was replaced by Ms L Olitzki as Interim Chief Financial Officer effective 1 June 2023.

SIGNIFICANT IMPAIRMENTS

SAA was unable to repatriate monies owing for ticket sales amounting to approximately USD 87,9 million due to the liquidity crisis in Zimbabwe. This amount was impaired in full in the 2019 financial year as it was doubtful that the funds would be collectable. SAA has managed to access some funds and utilised them within Zimbabwe as well as repatriate small amounts to South Africa over time. The current balance in Zimbabwe stands at USD59 million.

SALE OF PROPERTY

SAA entered into an agreement of sale with Transnet SOC Limited wherein SAA disposed of property in Durban to Transnet for R117 million. The transfer of the property took place in November 2022.

SALE OF AIRCRAFT

During 2022 SAA has entered into an agreement of sale for all but one of its A340 aircraft. The seven aircraft (4 x A340-600's and 3 x A340-300's) were all sold to an international buyer. The aircraft will undergo certain maintenance at SAAT before being flown to Europe. To date one aircraft has been delivered to the buyer. This is a project that is likely to take 8 to 10 months to complete.

INVESTMENT IN SA AIRLINK (PTY) LTD

SAA's entry into business rescue triggered a clause in the Memorandum of Incorporation of SA Airlink (Pty) Ltd (Airlink) whereby SAA was obligated to relinquish its investments in Airlink by selling its 2 084 shares in Airlink to the existing shareholders.

The valuation of the investment was performed during 2020 when the airline industry was significantly impacted by Covid-19. As a result the shares were valued at R1 each. The proceeds of the sale of the investment was therefore R2 084.

SAA impaired its R35 million investment in Airlink in the 2021 financial year when this matter was finalised.

51. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and settle liabilities and commitments that occur in the ordinary course of business for a period at least 12 months from the audit report date.

BUSINESS RESCUE

SAA was placed in business rescue on 5 December 2019. Since then the shareholder has invested R24.9 billion cash into the business, both to support the company during the business rescue process, repay legacy debt and to fund the business rescue plan. SAA emerged from business rescue 17 months later on 31 April 2021 as a company that was both liquid and solvent.

The business rescue process allowed SAA to restructure both its operations and its balance sheet. Headcount was reduced by 79 percent to just less than 1000 employees, the leased aircraft were returned to the lessors and the company entered into significant compromises with its creditors and lessors. All legacy debt has been repaid and the company now has no borrowings. In addition to the need to restructure, the business rescue plan also highlighted the need for the airline to identify a suitable strategic equity partner to assist the business with its future growth ambitions.

On exiting business rescue on 30 April 2021 due to the substantive implementation of the creditor approved business rescue plan, the company's assets of R8.9 billion exceeded its liabilities of R5.8 billion resulting in positive equity of R3.1 billion.

OPERATIONS AND OUTLOOK

SAA restarted operations in late September 2021 with 6 leased aircraft operating 5 routes. Today SAA operates to 12 destinations and, having received section 54 PFMA approval from the shareholder, is about to increase its fleet size from 7 to 13 aircraft during the 2023/24 financial year with more aircraft, both narrow body and wide body, to be added in the succeeding years. These additional aircraft will allow SAA to increase its geographical footprint and also provide additional services on existing routes.

Although the company emerged from business rescue during the 2021/22 financial year, the year was still a challenging one financially as the company sought to re-establish itself in a sector that had endured extreme hardship during the covid-19 pandemic. At year end the businesses current liabilities exceeded its current assets by R625 million and operating profit was negative R3.5 billion.

51. GOING CONCERN (continued)

After many years of losses, the company posted a profit (unaudited as yet) for the 2022/23 financial year, its first full year of commercial flying operations since business rescue. This was achieved with a fleet of 6 aircraft, assisted by additional capacity over the peak season. The budget for the 2023/24 financial year is based on a fleet of 12 aircraft (10 narrow bodies and 2 wide bodies) extending SAA's reach and presence in Africa as well as restarting an intercontinental service.

The regional network will be further expanded in the next 12 months, with as many as 8 new routes planned to be opened. Routes are carefully selected to ensure they will contribute positively to the airline's financial performance. Further growth is assumed in the 5-year plan based taking into account the planned increase in fleet size and geographic footprint.

OPERATIONS AND OUTLOOK

The budget for 2023/24 assumes a modest profit based on the enhanced activity of the airline due to its increased fleet size. Operational performance against budget to date has been pleasing, with better than budgeted results. This is in spite of the fact that there has been a delay in the implementation of the strategic plan due to the lack of availability of suitable leased aircraft in the market as the aviation supply chain world-wide experiences shortages of aircraft. While SAA is currently in the process of securing the necessary aircraft required, the company has contracted additional aircraft under short term leases on an ACMI (aircraft, crew, maintenance and insurance) basis to ensure it is able to continue with its expansion plans ahead of the arrival of the additional leased aircraft. This will ensure that the company is able to operate optimally over the peak season.

The 5-year corporate plan indicates that as SAA expands its network and ramps up its fleet it will continue to operate profitably and continue as a sustainable business.

Both SAAT and Air Chefs were significantly restructured, with SAAT having posted a profit for the 2022/23 year and Air Chefs recording a minor loss. Mango continued in business rescue for the year with no commercial operations being conducted. The business rescue practitioners have identified a potential equity partner for Mango and Ministerial approval has been requested for this disposal. Should it not be given, the company will be voluntarily wound down by the business rescue practitioners.

Currently, Group assets of R 7.9 billion exceed liabilities of R5.6 billion, reflecting net positive equity of R2.3 billion while at a company level, SAA has assets of R6.8 billion, liabilities of R2.3 billion, and equity of R4.5 billion.

CASH AND FUNDING

SAA received R1 billion of the outstanding business rescue funds on 3 April 2023. These funds will be used in August 2023 to settle the remaining business rescue obligations. SAA has also requested the shareholder provide remaining balance of the business rescue funding amounting to R1.5 billion during 2023/24. While there is uncertainty as to the extent and timing of further shareholder funding, SAA has analysed the cash requirements for the next 12 months based on its budget and is comfortable that it will have sufficient cash to meet its operating requirements.

SAA continues to work on the repatriation of funds in foreign jurisdictions to South Africa while working closely with IATA and the international credit card acquirers to ensure that excess cash security deposits held by them are returned to SAA as our risk profile improves. To this end, additional cash receipts of R 1 027 million was returned to SAA during the 2022/23 year with a further R295 million received during the first quarter of the 2023/24 financial year.

OTHER CONSIDERATIONS

SAA has also identified and sold certain properties that are not core to the business. A340 aircraft that are no longer core to the fleet requirements of the aircraft have also been sold and proceeds will be received as each aircraft is delivered to the buyer. In addition, there are excess aircraft engines and spares that can be disposed of. SAA also has significant property assets that are unencumbered and could be used as collateral to raise funding if required. These properties were valued by and independent valuer at the end of the 2022/23 financial year and an increase in valuation of SAA's properties of R 2.4 billion has been processed.

The shareholder is in advanced negotiations with an investor to acquire a 51% shareholding in SAA. The Competitions Tribunal has already approved the deal and applications have been made to the additional regulatory bodies to seek approval for the sale. In terms of the sale of shares agreement, the strategic equity partner will provide SAA with R3 billion funding spread over a three-year period. This funding will then underpin the future capex and working capital requirements of SAA.

Taking into account the historical challenges faced by the entity and the current factors described above, the board made an assessment of the ability of the group to continue as a going concern in the foreseeable future. The board:

- Recognises that there has been slower than anticipated progress in the implementation of the expansion plan and successful implementation of the plan will determine the future of the company;
- There are uncertainties with regard to the finalization of the ongoing transaction by the shareholder to dispose of 51% shareholding in SAA and this may have an impact on the future of the company.
- The company has requested funding from the shareholder to relating to the implementation of the business rescue plan, however the quantum and timing of these funds is uncertain.

The board considered the risks relating to the group's going-concern status and is satisfied that the risks will be satisfactorily addressed with the mitigation strategies in place. The board continues to manage these strategies as a priority as it is important that they materialise as envisaged. The board therefore concluded that it is satisfied that the group has access to adequate resources and facilities to be able to continue its operations for the foreseeable future as a going concern.

Corporate information

COUNTRY OF INCORPORATION AND DOMICILE

The Republic of South Africa

COMPANY REGISTRATION NUMBER

1997/022444/30

SAA GROUP BOARD

Mr DA Hanekom
Ms FBB Abdul Gany
Mr MS Mazwi
Mr DH Sangweni
Ms F Sithebe
Adv JC Weapond
Prof MJ Lamola
Ms LS Olitzki

COMPANY SECRETARY

Ms Ruth Kibuuka

BANKERS

Standard Bank Limited
Nedbank, a division of Nedbank Group Limited
Citibank of South Africa Proprietary Limited

AUDITORS

Auditor-General of South Africa
4 Daventry Street
Lynnwood Bridge Office Park
Lynnwood Manor
Pretoria, SA

POSTAL ADDRESS

PO Box 446
Pretoria
0001

REGISTERED OFFICE

Airways Park, Jones Road
OR Tambo International Airport
Kempton Park
1619

POSTAL ADDRESS

Private Bag x 13
OR Tambo International Airport
Kempton Park, 1627

WEBSITE

www.flysaa.com

Definitions

ACSA	Airports Company South Africa
ASK	Available Seat Kilometer
CAA	Civil Aviation Association
CASK	Cost per Available Seat Kilometer
CIP	Commercially Important Passenger
CRM	Customer Relationship Management
CVP	Customer Value Proposition
DOT	Department of Transport
dti	Department of Trade and Industry
EDTO	Extended Diversion Time Operations
FFP	Frequent Flyer Programme
Fifth Freedom	The right of an airline to carry revenue traffic between foreign countries as part of a service connecting the airline's own country
FTK	Freight Tonne Kilometer
GSM	Global Supply Management
IATA	International Air Transport Association
IFE	In–flight Entertainment
HR	Human Resources
IT/S	Information Technology/Services
JV	Joint Venture
King III of 2009	King Code on Corporate Governance
KPI	Key Performance Indicator
LCC	Low–Cost Carrier
LTTS	Long–Term Turnaround Strategy
MFMA	Municipal Finance Management Act
MRO	Maintenance, Repair and Overhaul
NDA	National Developmental Agenda
NIPP	National Industrial Participation Programme
OECD	Organisation for Economic Co–operation and Development
ORTIA	OR Tambo International Airport
PDP	Pre–Delivery Payment
PFMA	Public Finance Management Act, Act No 1 of 1999 (PFMA)
POPI	Protection of Personal Information
RASK	Revenue per Available Seat Kilometer
RFI	Request for Information
ROI	Return on Investment
RPK	Revenue Passenger Kilometers
SAX	SA Express
SACAA	South African Civil Aviation Authority
SLA	Service Level Agreement
SMME	Small–, Medium–, and Micro–sized Enterprises
SOC	State–owned Company
VSP	Voluntary Severance Package
WACC	Weighted Average Cost of Capital
YD	Yamoussoukro Decision, commits 44 signatory countries in Africa to deregulating air services, and promoting the opening of regional air markets to transnational competition

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