

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

# 2022



**SOUTH AFRICAN AIRWAYS**

A STAR ALLIANCE MEMBER 



# GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2022

# 2022

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**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 2022.

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 in the year under review. 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 2022.

## 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 provision 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

	2022 Rm	2021 Rm
<b>Total income</b>	<b>2 012</b>	5 440
Operating costs excluding translation (losses)/profits	(5 234)	(11 276)
Translation (losses)/gains	49	(552)
<b>EBITDA</b>	<b>(3 173)</b>	(6 388)
Finance costs	(213)	(711)
<b>Total loss</b>	<b>(3 653)</b>	(7 615)

### Year-end financial position

	2022 Rm	2021 Rm
Interest-bearing borrowings	1 535	5 054
Bank overdraft	–	–
Cash and cash equivalents	2 043	5 406
Equity position	(1 049)	(4 191)

SAA exited business rescue on 30 April 2021, however, the company remained in care and maintenance for the first half of the financial year ahead of the restart in the last week of September 2021. The business had been restructured, but there was still a great deal of work to be done to renegotiate costs. While the restart was focused on a solid start with good growth, the impact of the Omicron variant of Covid-19 rendered the restart average at best.

The revenue of R2 billion is a reduction from the R5.4 billion of the prior year, however, these are not comparable, as in 2021/22 SAA was operating a commercial flight schedule with a fleet of five narrow, body aircraft and one wide-body aircraft as opposed to the repatriation revenue generated off a wide-body fleet in the previous year coupled with the positive impact of the balance sheet restructure entries.

## 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. For the first in many years SAA has a positive equity position (refer note 45 to the annual financial statements), a business model that is producing positive results at an operational level and sufficient cash to ensure the company is able to pay its debts as they fall due for the next 12 months. The directors are satisfied that SAA can continue to operate as a going concern. The consolidated annual financial statements were therefore prepared on this basis.

### Recapitalisation and share capital

SAA received R6.9 billion in funding from the shareholder during the year, this was for the repayment of legacy debt (R4.1 billion) and the recapitalisation of subsidiaries (R2.7 billion). During the year SAA issued shares for the shareholder contribution received in the prior year (R18.3 billion) and R6.1 billion of the current year's funding (refer note 41). Shares for the remaining R719 million funding were issued in the 2022/23 financial year. This R719 million is reflected in note 42 as Shareholder Contribution.

Details of the share capital of the Group and Company are set out in note 41 to the annual financial statements. Funding subsequent to year is disclosed in note 44 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 44 of the annual financial statements and the following are active directors as at the date of the approval of the annual financial statements:

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

Details of director's emoluments are reflected in note 43 of the annual financial statements while movements of directors can be found in note 44 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 44 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:

### Business address

Airways Park  
32 Jones Road  
Kempton Park

### Postal address

Private Bag X13  
Kempton Park  
1627

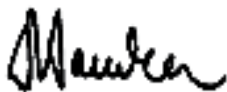
## PERFORMANCE AGAINST THE SHAREHOLDER'S COMPACT

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 2022, as set out on pages 12 to 74, have been prepared under the supervision of Lindsay Olitzki CA(SA) and were approved by the board of directors on 3 November 2023 in terms of the Companies Act and the PFMA.

These annual financial statements are in respect of business operations that took place under the previous Board. These annual financial statements were prepared by management under the oversight of the previous Board. The Board has therefore placed reliance on management 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*

3 November 2023



**Prof MJ Lamola**

*Interim Chief Executive Officer*



## 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, the annual return and approved audited financial statements were not filed as required by section 33(1)(a) of the Companies Act and 30(2) of the Companies Regulations.



**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 74, which comprise the consolidated and separate statement of financial position as at 31 March 2022, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and 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 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 reclassification 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 for 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 consolidated financial statements 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 required to the consolidated.

#### Airline revenue

6. In the prior year, 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 revenue by alternative means. My audit opinion on the financial statements for the period ended 31 March 2021 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of freight and mail. Consequently, I was unable to determine whether any further adjustments were necessary to airline revenue stated at R2 382 million and R1 407 million in note 5 to the corresponding consolidated and separate financial statements, respectively.
7. Mango did not provide sufficient appropriate audit evidence for airline revenue due to status of record keeping. I was unable to confirm the airline revenue by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the airline revenue stated at R1 594 million (2021: R2 382 million) in note 5 to the consolidated financial statements.
8. South African Airways Technical SOC Ltd (SAAT), a subsidiary of SAA, did not recognize, 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 which were not recognized, measured, presented, and disclosed for 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 the airline revenue stated at R1 594 million (2021: R2 382 million) in note 5 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 revenue stated at R1 594 million (2021: R2 382 million) in note 5 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 R418 million (2021: R3 058 million) and R311 million (2021: R3 038 million) in note 6 to the consolidated and separate financial statements, respectively.

#### Aircraft lease costs

11. The group did not recognize, measure, present, and disclose leases in accordance with IFRS 16: *Leases* due to the non-adoption of the standard. IFRS 16 provides a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying assets have a low value. The public entity was party to a number of lease agreements that were not recognized, measured, presented, and disclosed for in accordance with IFRS 16. I was unable to determine the value and impact of the

# Report of the Auditor-General to Parliament on South African Airways SOC Limited (continued)

misstatement on aircraft lease costs as disclosed in note 7 of the consolidated and separate financial statements, as it was impracticable to do so. Consequently, I was unable to determine the impact on the assets, liabilities, finance costs, depreciation, and commitments as it was impracticable to do so.

## Electronic data costs

12. 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 R327 million (2021: R370 million) and R305 million (2021: R349 million) in the consolidated and separate financial statements, respectively.
13. In addition, the public entity did not recognise transactions on an accrual basis in accordance with IAS 1: *Presentation of financial statements and Conceptual Framework*. The electronic data costs transactions relating to the future period were recognised in the current year when advance payments were made rather than when expenses occurred resulting in an overstatement of electronic data costs by R66 million in the consolidated and separate financial statements. Additionally, there was a resultant impact on the loss for the year, accumulated loss, and trade and other receivables.

## Employee benefits expenses

14. I was unable to obtain sufficient appropriate audit evidence for employee benefit expenses due to 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 R2 526 million (2021: R5 015 million) and R802 million (2021: R3 464 million) in note 25 to the consolidated and separate financial statements, respectively.

## Maintenance costs

15. I was unable to obtain sufficient appropriate audit evidence for maintenance costs due to the status of record keeping. I could not confirm the maintenance costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the maintenance costs stated at R323 million (2021: R100 million) and R234 million (2021: R952 million) in the consolidated and separate financial statements, respectively.
16. In addition, the public entity did not recognise all transactions relating to maintenance costs in accordance with IAS 1: *Presentation of financial statements and Conceptual Framework*. Maintenance costs and trade and other payables were understated by R58 million (2021: R29 million) in the consolidated and separate financial statements. Additionally, there was an impact on the loss for the year and the accumulated loss.

## Fair value and translations movements

17. 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 R49 million (2021: R552 million) and R53 million (2021: R449 million) in note 36 to the consolidated and separate financial statements, respectively.

## Other operating costs

18. 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 R951 million (2021: R3 826 million) and R333 million (2021: R3 594 million) in the consolidated and separate financial statements, respectively.
19. In addition, the public entity did not recognise, measure, present, and disclose leases in accordance with IFRS 16: *Leases* due to the non-adoption of the standard. IFRS 16 provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying assets have a low value. The public entity was party to a number of lease agreements that were not recognised, measured, presented, and disclosed for in accordance with IFRS 16. I was unable to determine the value and impact of the misstatement on other operating expenses in the consolidated and separate financial statements, as it was impracticable to do so. Consequently, I was unable to determine the impact on the assets, liabilities, finance costs, depreciation, and commitments, as it was impracticable to do so.

## Interest and dividend income

20. During 2021, I was unable to obtain sufficient appropriate audit evidence for interest and dividend income due to the status of record keeping. I was unable to confirm the interest and dividend income by alternative means. My audit opinion on the financial statements for the period ended 31 March 2021 was not modified. However, my audit opinion on the current year financial statements was modified because of the possible effect of this matter on the comparability of interest and dividend income for the current period. Consequently, I was unable to determine whether any adjustment was necessary to the interest and dividend income stated at R49 million and R48 million in the corresponding figures of the consolidated and separate financial statements, respectively.

## Finance costs

21. I was unable to obtain sufficient appropriate audit evidence for finance cost 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 R213 million (2021: R711 million) and R184 million (2021: R630 million) in note 16 to the corresponding figures of consolidated and separate financial statements, respectively.

## Property, aircraft and equipment

22. 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 system and processes to reconcile the underlying accounting records with the consolidated and separate financial statements.



23. 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 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 other were recorded but their existence could not be verified. My audit opinion for the period ended 31 March 2021 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. 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 R2 497 million (2021: R2 782 million) and R1 285 million (2021: R1 410 million) as disclosed in note 11 to the consolidated and separate financial statements, respectively.
  - Depreciation stated as R211 million (2021: R301 million) and R126 million (2021: R208 million) as disclosed in note 8 to the consolidated and separate financial statements, respectively.
  - Impairments stated as R124 million (2021: R219 million) and R486 million (2021: R3 111 million) as disclosed in note 10 to the consolidated and separate financial statements, respectively.

#### Intangible assets

25. 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.
26. Furthermore, in the prior year, the 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 some were recorded but their existence could not be verified. My audit opinion for the period ended 31 March 2021 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.
27. 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 R126 million (2021: R137 million) and R33 million (2021: R38 million) as disclosed in note 33 to the consolidated and separate financial statements, respectively.
  - Amortisation stated as R11 million (2021: R31 million) and R5 million (2021: R23 million) as disclosed in note 8 to the consolidated and separate financial statements, respectively.
  - Impairments stated as R124 million (2021: R219 million) and R486 million (2021: R3 111 million) as disclosed in note 10 to the consolidated and separate financial statements, respectively.

#### Investment in subsidiaries

28. The group did not appropriately calculate the 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 R5 027 million (2021: R3 822 million) in note 39 to the separate financial statements.

#### Investments

29. During 2021, 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 was not presented for auditing. My audit opinion on the financial statements for the period ended 31 March 2021 was modified. However, in the current year financial statements investments were omitted, and I was unable to obtain sufficient appropriate audit evidence to support the reasons for the omission. My audit opinion on the current year financial statements was modified because of the possible effect of this matter on the investments for the current period. I was unable to confirm the omission of these investments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the separate financial statements.

#### Deferred tax asset and taxation

30. I was unable to obtain sufficient appropriate audit evidence for deferred tax assets and taxation 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 the deferred tax asset and taxation as disclosed in notes 30 and 31 to the consolidated and separate financial statements, respectively.

#### Amounts receivable from subsidiaries

31. I was unable to obtain sufficient appropriate audit evidence for the impairment of loans to subsidiaries. As described in note 40 to the financial statements, loans to subsidiaries were impaired by the value of R347 million (2021: R1 043 million) but the impairment could not be substantiated by supporting audit evidence. I was unable to confirm the impairment of loans to subsidiaries by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the impairment of loans to subsidiaries as disclosed in note 40 to the separate financial statements.

#### Aircraft and other deposits

32. I was unable to obtain sufficient appropriate audit evidence for aircraft and other deposits as the underlying accounting records were not presented for auditing. I was unable to confirm aircraft and other deposits by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to aircraft and other deposits stated at R2 193 million (2021: R3 111 million) and R1 967 million (2021: R1 795 million) in note 12 to the consolidated and separate financial statements, respectively.

# Report of the Auditor-General to Parliament on South African Airways SOC Limited (continued)

## Inventories

33. I was unable to obtain sufficient appropriate audit evidence for inventories due to the status of accounting records. I was unable to confirm the inventories by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to inventories stated at R547 million (2021: R632 million) and R36 million (2021: R64 million) in note 6 to the consolidated and separate financial statements, respectively.

## Trade and other receivables

34. 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.
35. I was unable to confirm the trade and other receivables balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the trade and other receivables stated at R601 million (2021: R833 million) and R533 million (2021: R782 million) in note 18 to the consolidated and separate financial statements, respectively.

## Cash and cash equivalents

36. I was unable to obtain sufficient appropriate audit evidence for foreign bank accounts as included as part of cash and cash equivalent 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 verify the restricted cash disclosed in note 18 to the consolidated and separate financial statements.
37. In addition, the bank overdraft was incorrectly presented and classified as cash and cash equivalent instead of liabilities in accordance with IAS 1: *Presentation of financial statements*. Consequently, bank overdraft and cash and cash equivalent was understated by R31 million (2021: R113 million) in the consolidated and separate financial statements.
38. Furthermore, I was unable to confirm whether all domestic bank accounts are completely recorded due to an inadequate internal control system and processes to reconcile the underlying accounting records.
39. Consequently, I was unable to determine whether any further adjustments were necessary to the cash and cash equivalent stated at R2 043 million (2021: R5 406 million) and R1 744 million (2021: R5 380 million) in note 19 to the consolidated and separate financial statements, respectively.

## Long-term loans

40. I was unable to obtain sufficient appropriate audit evidence for long term loans due to inadequate internal controls and processes to reconcile the underlying accounting records to the consolidated and separate financial statements. Consequently, I was unable to determine whether any further adjustments were necessary to long-term loan stated at R1 535 million (2021: R5 054 million) and R1 534 (2021: R5 050 million) in note 20 to the corresponding figures of the consolidated and separate financial statements, respectively.

## Other long-term liabilities

41. I was unable to obtain sufficient appropriate audit evidence that other long-term liabilities had been properly accounted for due to poor status of record keeping. I was unable to confirm other long-term liabilities by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to other long-term liabilities stated at R1 140 million (2021: R103 million) and R1 077 (2021: R40 million) in note 27 to the corresponding figures of the consolidated and separate financial statements, respectively.

## Retirement benefits obligation

42. SAA group did not account for and disclose employee benefit information in accordance with IAS 19: *Employee benefits*. The value of the net defined benefit liability (asset) at the end of the reporting period was not determined as required by IAS 19: *Employee benefits*. SAA did not perform a valuation of the SAA Group employees' post-retirement medical benefits as disclosed in note 28 to the consolidated and separate financial statements. I was unable to determine the impact on retirement benefits as stated in note 26 and post-employment benefit expenses as stated in note 25 of the consolidated and separate financial statements, as it was impracticable to do so.

## Provisions

43. I was unable to obtain sufficient appropriate audit evidence that provisions 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. Consequently, I was unable to determine whether any adjustments were necessary to the provision for litigations stated at R971 million (2021: R2 063 million) and R84 million (2021: R1 176 million) in note 13 to the consolidated and separate financial statements, respectively.

## Trade and other payables

44. I was unable to obtain sufficient appropriate audit evidence that trade and other payables had been properly accounted for due to the poor 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 R3 886 million (2021: R6 648 million) and R1 910 million (2021: R4 593 million) in note 21 to the consolidated and separate financial statements, respectively.

## Deferred revenue on ticket sales

45. 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 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 R2 409 million (2021: R3 141 million) in note 14 to the consolidated financial statements.

#### Deferred tax asset and taxation

46. I was unable to obtain sufficient appropriate audit evidence for 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 deferred tax asset and taxation as disclosed in notes 30 and 31 to the consolidated and separate financial statements, respectively.

#### Directors' emoluments for SAA subsidiaries

47. 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 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 29 to the consolidated financial statements.

#### Fruitless and wasteful expenditure

48. 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 R207 million (2021: R202 million) and R21 million (2021: R16 million) in note 38 to the consolidated and separate financial statements, respectively.

#### Irregular expenditure

49. 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 during the year included in note 38 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 R44 506 million (2021: R38 971 million) and R37 742 million (2021: R32 320 million) in note 38 to the consolidated and separate financial statements respectively.

#### Related parties

50. 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 43 in the consolidated and separate financial statements.

#### MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

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

52. I draw attention to note 45 in 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 a 51% controlling stake to a strategic equity partner, and the related envisaged investments from the shareholders. As stated in note 45, these events or conditions, along with the other matters as set forth in note 44, 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

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

#### Business rescue proceeding

54. 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

55. As disclosed in note 44 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

56. 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.

57. 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.

# Report of the Auditor-General to Parliament on South African Airways SOC Limited (continued)

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

58. 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
59. 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

60. 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.
61. 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

62. 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.
63. The material findings on compliance with specific matters in key legislation are as follows:

### Annual financial statements and annual report

64. 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.
65. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and 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 corrected, and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.

### SOE oversight and governance

66. A social and ethics committee was not established, as required by section 72(4)(a) of the Co Act and Companies Regulation 43(2)(a).
67. An audit committee was not established by the accounting authority, as required by section 51(1)(a)(ii) of the PFMA.

### Procurement and contract management

68. I was unable to obtain sufficient appropriate audit evidence that all quotations were awarded in accordance with the legislative requirements as management could not provide the information timeously for audit purposes due to poor record keeping.
69. Goods, works, and services were not procured through a procurement process that is fair, equitable, transparent, and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar limitations were also reported in the prior year.

### Consequence management

70. 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.
71. 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.
72. 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.

### Revenue management

73. 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.

### Expenditure management

74. 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 38 of the financial statements does not reflect the full extent of the irregular expenditure incurred.
75. Effective and appropriate 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 the disclaimer of opinion, the value disclosed in note 38 of the financial statements does not reflect the full extent of the irregular expenditure incurred.

#### Internal control deficiencies

76. I considered internal control relevant to my audit of the consolidated and separate financial statements 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.
77. 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 after the legislated deadline.
78. 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, which further indicates a lack of financial oversight, monitoring, and review of component financial information.
79. 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.
80. 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.
81. 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.
82. 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.
83. The accounting authority did not exercise adequate oversight over the financial statements before submitting them for audit.
84. 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.
85. 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.

#### Other reports

86. 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, reported performance information, 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.
87. 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.
88. 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 2022

R MILLION	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
<b>Total income</b>		<b>2 012</b>	5 440	<b>1 272</b>	4 445
Airline revenue	5	<b>1 594</b>	2 382	<b>961</b>	1 407
Other income	6	<b>418</b>	3 058	<b>311</b>	3 038
<b>Operating costs</b>		<b>5 185</b>	11 828	<b>2 248</b>	9 931
Aircraft lease costs	7	<b>470</b>	1 507	<b>989</b>	989
Accommodation and refreshments		<b>25</b>	36	<b>40</b>	40
Commissions and network charges		<b>164</b>	31	<b>(13)</b>	(13)
Electronic data costs		<b>327</b>	370	<b>349</b>	349
Fuel and other energy costs		<b>369</b>	305	<b>92</b>	92
Employee benefit expenses	25	<b>2 526</b>	5 015	<b>3 464</b>	3 464
Maintenance costs		<b>323</b>	100	<b>952</b>	952
Navigation, landing and parking fees		<b>79</b>	86	<b>15</b>	15
Fair value and translation movements	36	<b>(49)</b>	552	<b>449</b>	449
Other operating costs		<b>951</b>	3 826	<b>3 594</b>	3 459
<b>Operating loss before interest, tax, depreciation and amortisation</b>	7	<b>(3 173)</b>	(6 388)	<b>(976)</b>	(5 486)
Depreciation and amortisation	8	<b>(222)</b>	(332)	<b>(131)</b>	(231)
Impairments	10	<b>(124)</b>	(219)	<b>(486)</b>	(3 111)
Net (loss)/gain on disposal of property, aircraft and equipment	9	<b>2</b>	(14)	<b>–</b>	(9)
<b>Operating loss</b>		<b>(3 517)</b>	(6 953)	<b>(1 593)</b>	(8 837)
Finance costs	16	<b>(213)</b>	(711)	<b>(184)</b>	(630)
Interest income	17	<b>77</b>	49	<b>75</b>	48
<b>Loss before taxation</b>		<b>(3 652)</b>	(7 615)	<b>(1 702)</b>	(9 419)
Taxation	30	<b>–</b>	–	<b>–</b>	–
<b>Loss for the year</b>		<b>(3 652)</b>	(7 615)	<b>(1 702)</b>	(9 419)
<b>Other comprehensive income/(loss):</b>					
Remeasurements of defined benefit plans*		<b>17</b>	17	<b>17</b>	17
Change in value of available-for-sale financial asset**		<b>–</b>	(35)	<b>–</b>	(35)
<b>Other comprehensive income for the year net of taxation</b>	37	<b>17</b>	(18)	<b>17</b>	(18)
<b>Total comprehensive loss</b>		<b>(3 632)</b>	(7 633)	<b>(1 685)</b>	(9 437)
<b>Total comprehensive loss attributable to:</b>					
Owners of the parent		<b>(3 632)</b>	(7 633)	<b>(1 685)</b>	(9 437)
		<b>(3 632)</b>	(7 633)	<b>(1 685)</b>	(9 437)

\* 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 2022

R MILLION	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
<b>Assets</b>					
<b>Non-current assets</b>					
Property, aircraft and equipment	11	2 497	2 782	1 285	1 410
Intangible assets	33	126	137	33	38
Investments in subsidiaries	39	–	–	1 881	–
Deferred tax asset	31	50	50	–	–
Amounts receivable from subsidiaries	40	–	–	94	–
Aircraft and other deposits	12	2 193	1 953	1 967	1 795
Retirement benefit asset	26	6	11	11	11
		4 872	4 933	5 266	3 254
<b>Current assets</b>					
Inventories	35	547	632	36	64
Trade and other receivables	18	601	833	533	782
Aircraft and other deposits	12	–	1 158	–	–
Cash and cash equivalents	19	2 043	5 406	1 744	5 380
		3 191	8 029	2 313	6 226
Non-current assets classified as held-for-sale and assets of disposal groups	11	71	–	–	–
<b>Total assets</b>		<b>8 134</b>	<b>12 962</b>	<b>7 579</b>	<b>9 480</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
<b>Equity attributable to equity holders of parent</b>					
Share capital	41	57 726	33 392	57 960	33 626
Shareholder contribution	42	719	18 275	719	18 275
Reserves		870	853	370	353
Accumulated loss		(60 363)	(56 711)	(58 367)	(56 665)
		(1 048)	(4 191)	682	(4 411)
<b>Non-current liabilities</b>					
Long-term loans	20	1	4	–	–
Retirement benefit obligation	26	125	140	125	140
Deferred revenue on ticket sales	14	457	457	457	457
Other long-term liabilities	27	1 140	103	1 077	40
		1 723	704	1 659	637
<b>Current liabilities</b>					
Current tax payable	32	4	4	–	–
Trade and other payables	21	3 886	6 648	1 910	4 593
Provisions	13	84	2 063	84	1 176
Current portion of long-term loans	20	1 534	5 050	1 534	5 050
Deferred revenue on ticket sales	14	1 952	2 684	1 710	2 435
		7 459	16 449	5 238	13 254
<b>Total liabilities</b>		<b>9 182</b>	<b>17 153</b>	<b>6 897</b>	<b>13 891</b>
<b>Total equity and liabilities</b>		<b>8 134</b>	<b>12 962</b>	<b>7 579</b>	<b>9 480</b>

# Group and Company statement of changes in equity

for the year ended 31 March 2022

R MILLION	Share capital	Shareholder contribution	Other reserves*	Revaluation reserve	Shareholder restructuring fund	Total share capital and reserves	Accumulated loss	Total equity
<b>GROUP</b>								
<b>Balance at 1 April 2020</b>	12 892	20 500	(111)	982	67	34 330	(49 096)	(14 766)
Total comprehensive income for the year	–	–	(18)	–	–	(18)	(7 615)	(7 633)
Voluntary severance packages paid	–	–	–	–	(67)	(67)	–	(67)
Contribution made by shareholder during the year	–	18 275	–	–	–	18 275	–	18 275
Shares issued during the year in respect of contributed capital	20 500	(20 500)	–	–	–	–	–	–
<b>Balance at 1 April 2021</b>	33 392	18 275	(129)	982	–	52 520	(56 711)	(4 191)
Total comprehensive income the year	–	–	17	–	–	17	3 652	(3 280)
Contribution made by shareholder during the year	–	6 778	–	–	–	6 778	–	6 778
Shares issued during the year in respect of contributed capital	24 334	(24 334)	–	–	–	–	–	–
<b>Balance at 31 March 2022</b>	57 726	719	(112)	982	–	59 315	(60 363)	(1 048)

\* 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.

R MILLION	Share capital	Shareholder contribution	Other reserves*	Revaluation reserve	Shareholder restructuring fund	Total share capital and reserves	Accumulated loss	Total equity
<b>COMPANY</b>								
<b>Balance at 1 April 2020</b>	13 126	20 500	(111)	482	67	34 064	(47 246)	(13 182)
Total comprehensive income for the year	–	–	(18)	–	–	(18)	(9 419)	(9 437)
Voluntary severance packages paid	–	–	–	–	(67)	(67)	–	(67)
Contribution made by shareholder during the year	–	18 275	–	–	–	18 275	–	18 275
Shares issued during the year in respect of contributed capital	20 500	(20 500)	–	–	–	–	–	–
<b>Balance at 1 April 2021</b>	33 626	18 275	(129)	482	–	52 254	(56 665)	(4 411)
Total comprehensive income for the year	–	–	17	–	–	17	(1 702)	(1 685)
Contribution made by shareholder during the year	–	6 778	–	–	–	6 778	–	6 778
Shares issued during the year in respect of contributed capital	24 334	(24 334)	–	–	–	–	–	–
<b>Balance at 31 March 2022</b>	57 960	719	(112)	482	–	59 049	(58 367)	682

\* 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.

# Group and Company statement of cash flows

for the year ended 31 March 2022

		GROUP		COMPANY	
R MILLION	Notes	2022	2021	2022	2021
Cash flows from operating activities					
Cash used in operations	15	(5 851)	(5 658)	(3 847)	(5 794)
Interest and dividend income		77	49	75	48
Finance costs		(213)	(711)	(184)	(630)
Tax paid	32	(1)	(3)	(1)	(1)
Net cash outflow from operating activities		(5 988)	(6 323)	(3 957)	(6 377)
Cash flows from investing activities					
Additions to property, aircraft and equipment	11	–	(12)	(1)	(1)
Proceeds on disposal of property, aircraft, equipment and intangible assets	11, 33	4	31	–	56
Additions to intangible assets		–	–	(2 301)	–
Net cash outflow from investing activities		4	19	(2 302)	55
Cash flows from financing activities					
Proceeds from contribution made by the shareholder during the year		6 778	18 275	6 778	18 275
External borrowings repaid		(4 081)	(9 018)	(4 078)	(9 016)
Movement in bank overdraft		–	(830)	–	(830)
Net cash inflow from financing activities		2 697	8 427	2 700	8 429
Net (decrease)/increase in cash and cash equivalents		(3 287)	2 123	(3 559)	2 107
Cash and cash equivalents at the beginning of the year		5 406	3 711	5 380	3 702
Foreign exchange effect on cash and cash equivalents		(76)	(428)	(77)	(429)
Cash and cash equivalents at the end of the year	19	2 043	5 406	1 744	5 380

# Notes to the Group and Company annual financial statements

for the year ended 31 March 2022

## 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 45.

These accounting policies are consistent with the previous period.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

### 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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 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 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 term.

#### 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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 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 lease 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

### Group as lessee

#### Leases

The Group assesses at contract inception whether a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Lessee accounting

The Group recognises right-of-use assets relating to the right to use the underlying assets and lease liabilities for the lease payments except for short-term leases and leases of low-value assets, where the recognition exemption is applied.

#### Right-of-use assets

The Group recognises a right-of-use asset at lease commencement (the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date.

#### Lease liabilities

The Group recognises a lease liability at the commencement of a lease at the present value of the lease payments that have to be made over the lease term. The lease payments include fixed payments. There were no variable lease payments that impacted the determination of the lease payments. The Group uses the incremental borrowing rate at lease commencement to calculate the present value of lease payments if the interest rate implicit in the lease is not readily determinable.

The incremental borrowing rate requires a degree of judgement regarding the determination of an appropriate discount rate for the lease term and is based on borrowings of a similar term which takes into account current market conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change of the in-substance fixed lease payments.

#### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases with a term of less than 12 months. The Group also applies the lease of low-value assets recognition exception to leases with a value of less than R75 000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense 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.

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

### 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.

### 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.



# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 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 24.1.

#### 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 24.1.

#### 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 18.

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 (e.g. 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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 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 lease obligations.

Other financial liabilities are subsequently measured at amortised cost.

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 24.1.

### 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 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 value of the irregular expenditure incurred, unless it is impracticable to determine the value thereof. Where such impracticability 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 is consistent with the prior year.

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# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 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 2022. The standards and interpretations included below only include those that the directors believe may have an impact on the Group, the quantum of which can not be reliably estimated..

Standard/interpretation	Impact	Effective date: years beginning on or after
Reference to the Conceptual Framework – Amendments to IFRS 3	The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	Many entities will find themselves already in compliance with the amendments. However, entities need to consider whether some of the amendments may impact their current practice. Entities need to carefully consider whether there are any aspects of the amendments that suggest that terms of their existing loan agreements should be renegotiated. In this context, it is important to highlight that the amendments must be applied retrospectively. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement.  Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. Entities should carefully consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement.  Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. Entities should carefully consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements.	1 January 2023



### 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 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 lease 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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 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 R8,2 million (2021: R8,1 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 R457 million (2021: R457 million) and the carrying amount of short-term frequent flyer deferred revenue was R362 million (2021: R350 million). Please refer to Note 14 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 10 when applicable.

### 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.

		GROUP		COMPANY	
R MILLION	Notes	2022	2021	2022	2021
AIRLINE REVENUE					
The analysis of airline revenue for the year is as follows:					
Passenger revenue		574	1 003	396	427
Freight and mail		77	195	76	189
Technical services		454	393	–	–
Voyager income	14	54	245	54	245
Release from prescribed tickets		228	460	228	460
Release from prescribed air waybills		–	2	–	2
Fuel levies		186	36	186	36
Other airline revenue adjustments*		21	48	21	48
		1 594	2 382	961	1 407

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

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
OTHER INCOME				
Other income is made up of the following items:				
Handling fees	12	10	1	2
Income from leased assets	52	49	31	32
Other recoveries*	354	2 999	279	3 004
	418	3 058	311	3 038

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

\* Included in the Other recoveries for the year ended 31 March 2021 is an amount of R2,8 billion which is a gain on debt compromise due to business rescue proceedings.

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
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	470	1 507	126	989
Buildings	93	99	76	81
Equipment and vehicles	11	14	9	11
Total operating lease payments	574	1 620	211	5 486

\* These leases do not qualify for lease accounting in terms of IFRS 16 - Leases.

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
AUDITORS' REMUNERATION				
Audit fees – current year	(3)	3	1	–
Total auditors' remuneration	(3)	3	1	–

Directors' emoluments and executive management emoluments are disclosed in Note 45.

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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

R MILLION	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
<b>8. DEPRECIATION AND AMORTISATION</b>					
Aircraft and simulators		(124)	(204)	(97)	(173)
Buildings and structures		(46)	(47)	(16)	(16)
Machinery, equipment and furniture		(34)	(40)	(11)	(16)
Vehicles and cabin loaders		(7)	(10)	(2)	(3)
<b>Total depreciation</b>	11	<b>(211)</b>	(301)	<b>(126)</b>	(208)
Amortisation of intangible assets	33	<b>(11)</b>	(31)	<b>(5)</b>	(23)
<b>Total depreciation and amortisation</b>		<b>(222)</b>	(332)	<b>(131)</b>	(231)

R MILLION	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
<b>9. NET (LOSS)/GAIN ON DISPOSAL OF PROPERTY, AIRCRAFT AND EQUIPMENT</b>					
<b>Net (loss)/gain on disposal of property, aircraft and equipment comprises the following:</b>					
Profit on disposal of property, aircraft and equipment		2	4	–	4
Loss on disposal of property, aircraft and equipment		–	(18)	–	(31)
		<b>2</b>	(14)	<b>–</b>	(9)

R MILLION	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
<b>10. IMPAIRMENTS</b>					
<b>Impairment of loans and receivables held at amortised cost</b>					
(Impairment)/reversal of impairment of accounts receivable		(178)	(108)	(31)	11
<b>Impairment of other assets</b>					
Reversal of impairment/(impairment) of loans to subsidiaries	39	–	–	(1 205)	(2 134)
Impairment of loans to subsidiaries	40	–	–	696	(1 023)
Impairment arising from write-down of inventory to net realisable value	34	–	(146)	–	–
Reversal of impairment of cash neutrality advance to South African Express SOC Limited		54	35	54	35
		<b>(124)</b>	(219)	<b>(486)</b>	(3 111)

	2022			2021		
R MILLION	Cost/ valuation	Accumulated depreciation/ impairment	Carrying value	Cost/ valuation	Accumulated depreciation/ impairment	Carrying value
<b>11. PROPERTY, AIRCRAFT AND EQUIPMENT GROUP</b>						
Land	696	–	696	696	–	696
Buildings and structures	1 701	(552)	1 149	1 701	(515)	1 186
Machinery, equipment and furniture	9582	(748)	204	982	(740)	242
Vehicles and cabin loaders	116	(98)	18	127	(100)	27
Aircraft and simulators	9 822	(9 521)	301	10 036	(9 522)	514
Containers	30	(30)	–	30	(30)	–
Capital work in progress	129	–	129	117	–	117
<b>Total</b>	<b>13 446</b>	<b>(10 949)</b>	<b>2 497</b>	<b>13 689</b>	<b>(10 907)</b>	<b>2 782</b>
<b>COMPANY</b>						
Land	316	–	316	316	–	316
Buildings and structures	912	(349)	563	912	(334)	578
Machinery, equipment and furniture	409	(356)	53	409	(345)	64
Vehicles and cabin loaders	41	(38)	3	41	(36)	5
Aircraft and simulators	9 781	(9 515)	266	9 781	(9 418)	363
Containers	30	(30)	–	30	(30)	–
Capital work in progress	84	–	84	84	–	84
<b>Total</b>	<b>11 573</b>	<b>(10 288)</b>	<b>1 285</b>	<b>11 573</b>	<b>(10 163)</b>	<b>1 410</b>

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

R MILLION	Land	Buildings and structures	Machinery, equipment and furniture	Vehicles and cabin loaders	Aircraft and simulators	Containers	Capital work in progress	Total
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## 11. PROPERTY, AIRCRAFT AND EQUIPMENT (continued)

### GROUP

#### Reconciliation

Opening balance	704	1 241	282	38	750	–	101	3 116
Additions	–	1	–	–	–	–	11	12
Disposals	(8)	–	–	(1)	(36)	–	–	(45)
Transfers	–	(9)	–	–	4	–	5	–
Depreciation	–	(47)	(40)	(10)	(204)	–	–	(301)
<b>Balance at 31 March 2021</b>	<b>696</b>	<b>1 186</b>	<b>242</b>	<b>27</b>	<b>514</b>	<b>–</b>	<b>117</b>	<b>2 782</b>
Opening balance	<b>696</b>	<b>1 186</b>	<b>242</b>	<b>27</b>	<b>514</b>	<b>–</b>	<b>117</b>	<b>2 782</b>
Disposals	–	–	–	(2)	–	–	–	(2)
Transfers	–	<b>9</b>	–	–	<b>(9)</b>	–	–	–
Depreciation	–	<b>(46)</b>	<b>(34)</b>	<b>(7)</b>	<b>(124)</b>	–	–	<b>(211)</b>
Property, aircraft and equipment written-off	–	–	<b>(4)</b>	–	<b>(80)</b>	–	<b>12</b>	<b>(72)</b>
<b>Balance at 31 March 2022</b>	<b>696</b>	<b>1 149</b>	<b>204</b>	<b>18</b>	<b>301</b>	<b>–</b>	<b>129</b>	<b>2 497</b>

### COMPANY

#### Reconciliation

Opening balance	316	594	81	9	605	–	77	1 682
Additions	–	–	–	–	–	–	1	1
Disposals	–	–	(1)	(1)	(63)	–	–	(65)
Transfers	–	–	–	–	(6)	–	6	–
Depreciation	–	(16)	(16)	(3)	(173)	–	–	(208)
<b>Balance at 31 March 2021</b>	<b>316</b>	<b>578</b>	<b>64</b>	<b>5</b>	<b>363</b>	<b>–</b>	<b>84</b>	<b>1 410</b>
Opening balance	<b>316</b>	<b>578</b>	<b>64</b>	<b>5</b>	<b>363</b>	<b>–</b>	<b>84</b>	<b>1 410</b>
Additions	–	<b>1</b>	–	–	–	–	–	<b>1</b>
Depreciation	–	<b>(16)</b>	<b>(11)</b>	<b>(2)</b>	<b>(97)</b>	–	–	<b>(126)</b>
<b>Balance at 31 March 2022</b>	<b>316</b>	<b>563</b>	<b>53</b>	<b>3</b>	<b>266</b>	<b>–</b>	<b>84</b>	<b>1 285</b>

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 previous financial years, 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		COMPANY	
	2022	2021	2022	2021
<b>NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE</b>				
Carrying value of property, aircraft and equipment classified as held-for-sale	<b>71</b>	–	–	–
	<b>71</b>	–	–	–

During the current year, Mango Airlines SOC Limited decided to dispose of its non-current assets. Furniture, fittings and IT equipment will be sold however their fair value less costs to sell is negligible, hence they have been written-off in full. A potential buyer has been identified to buy the aircraft engine at its carrying amount as reflected above.



	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>12. AIRCRAFT AND OTHER DEPOSITS</b>				
Non-current portion of security deposits	2 193	1 953	1 967	1 795
<b>Total non-current aircraft and other deposits</b>	<b>2 193</b>	<b>1 953</b>	<b>1 967</b>	<b>1 795</b>

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
Current portion of maintenance reserve receivable	–	1 158	–	–
<b>Total current aircraft and other deposits</b>	<b>–</b>	<b>1 158</b>	<b>–</b>	<b>–</b>

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.

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
Maintenance reserve opening balance	1 158	3 031	–	1 989
Maintenance reserves paid	–	151	–	35
Maintenance reserves written off	(1 158)	(1 864)	–	(1 864)
Currency revaluation	–	(160)	–	(160)
Less: Current portion	–	(1 158)	–	–
<b>Non-current portion of maintenance reserve receivable</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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	2022	2021	2022	2021
Security deposits opening balance	1 953	1 973	1 795	1 817
Security deposits received back from lessor	(460)	(66)	(460)	(66)
Security deposits paid	734	1 191	666	1 189
Security deposits written-off	–	(946)	–	(946)
Currency revaluation	(34)	(199)	(34)	(199)
<b>Non-current portion of security deposits</b>	<b>2 193</b>	<b>1 953</b>	<b>1 967</b>	<b>(1 795)</b>

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

R MILLION	Provision for lease liabilities <sup>(1)</sup>	Other provisions <sup>(2)</sup>	Total
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## 13. PROVISIONS

### GROUP

#### Reconciliation

Opening balance	2 513	239	2 752
Additions	24	1 431	1 455
Reversed during the year	(1 440)	(493)	(1 933)
Currency revaluation	(210)	(1)	(211)
<b>Balance at 31 March 2021</b>	<b>887</b>	<b>1 176</b>	<b>2 063</b>
Current portion	887	1 176	2 063
	887	1 176	2 063
Opening balance	<b>887</b>	<b>1 176</b>	<b>2 063</b>
Additions	–	<b>298</b>	<b>298</b>
Utilised during the year	–	<b>(1 036)</b>	<b>(1 036)</b>
Reversed during the year	<b>(887)</b>	<b>(354)</b>	<b>(1 241)</b>
<b>Balance at 31 March 2022</b>	<b>–</b>	<b>84</b>	<b>84</b>
Current portion	–	<b>84</b>	<b>84</b>
	<b>887</b>	<b>84</b>	<b>84</b>

R MILLION	Provision for lease liabilities <sup>(1)</sup>	Other provisions <sup>(2)</sup>	Total
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### COMPANY

#### Reconciliation

Opening balance	1 579	239	1 818
Additions	24	1 431	1 455
Reversed during the year	(1 393)	(493)	(1 886)
Currency revaluation	(210)	(1)	(211)
<b>Balance at 31 March 2021</b>	<b>–</b>	<b>1 176</b>	<b>1 176</b>
Current portion	–	1 176	1 176
	–	1 176	1 176
Opening balance	–	<b>1 176</b>	<b>1 176</b>
Additions	–	<b>298</b>	<b>298</b>
Utilised during the year	–	<b>(1 036)</b>	<b>(1 036)</b>
Reversed during the year	–	<b>(354)</b>	<b>(354)</b>
<b>Balance at 31 March 2022</b>	<b>–</b>	<b>84</b>	<b>84</b>
Current portion	–	<b>84</b>	<b>84</b>
	–	<b>84</b>	<b>84</b>

(1) For aircraft held under 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	2022	2021	2022	2021
<b>14. DEFERRED REVENUE ON TICKET SALES</b>				
Frequent flyer deferred revenue – long-term	457	457	457	457
Net air traffic liability SAA – short-term	1 590	2 334	1 348	2 085
Frequent flyer deferred revenue – short-term	362	350	362	350
	1 952	2 684	1 710	2 435

#### 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	2022	2021	2022	2021
<b>15. CASH (USED IN)/GENERATED FROM OPERATIONS</b>				
Loss before taxation	(3 652)	(7 615)	(1 702)	(9 419)
<b>Adjustments for:</b>				
Depreciation and amortisation on property, aircraft and equipment	211	301	126	208
Net (gain)/loss on disposal of property, aircraft and equipment	(2)	14	–	9
Amortisation of intangible assets	11	31	5	23
(Reversal of impairment)/impairment of loans to subsidiaries	–	–	(696)	1 023
Impairment of investments in subsidiaries	–	–	1 205	2 134
Interest and dividend income	(77)	(49)	(75)	(48)
Finance costs	213	711	184	630
Release from air traffic liability	14	(283)	14	(283)
Movement in employee benefit obligations	(15)	(22)	(15)	(22)
Impairment/(reversal of impairment) of accounts receivable	178	108	31	(11)
Non-cash movement on retirement benefit plans	17	17	17	17
Release from passenger tax levies	(242)	(179)	(242)	(179)
Non-cash movement on shareholder restructuring fund	–	(67)	–	(67)
Unrealised foreign exchange loss on cash and cash equivalents	76	428	77	429
Movement in retirement benefit asset	5	–	5	–
Tax paid in foreign jurisdictions	1	1	1	1
Non-cash conversion of loan to SAA Technical SOC Limited to equity	–	–	(785)	–
Non-cash transfer of receivership liabilities from current to non-current	1 077	–	1 077	–
Property, aircraft and equipment written-off	72	–	–	–
Transfer to non-current assets held-for-sale	(71)	–	–	–
<b>Changes in working capital:</b>				
Aircraft and other deposits	918	1 893	(172)	2 011
Movement in non-current legal settlements	(40)	(372)	(40)	(372)
Non-cash movement on long-term loans	562	(171)	562	(171)
Inventories	85	195	28	24
Trade and other receivables	54	2 237	820	2 199
Trade and other payables	(2 521)	(2 114)	(2 441)	(3 203)
Air traffic liability	(758)	107	(751)	55
Frequent flyer deferred revenue	12	(140)	12	(140)
Provisions	(1 979)	(689)	(1 092)	(642)
	(5 851)	(5 658)	(3 847)	(5 794)

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>16. FINANCE COSTS</b>				
<b>The interest paid related to financial liabilities held at amortised cost is detailed below:</b>				
Interest paid on borrowings	(180)	(578)	(180)	(578)
Interest paid on overdraft	(33)	(133)	(4)	(52)
	<b>(213)</b>	<b>(711)</b>	<b>(184)</b>	<b>(630)</b>

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>17. INTEREST AND DIVIDEND INCOME</b>				
<b>Interest and dividend income received was derived from:</b>				
Cash and bank balances	74	43	72	42
Loans and receivables	3	6	3	6
	<b>77</b>	<b>49</b>	<b>75</b>	<b>48</b>

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>18. TRADE AND OTHER RECEIVABLES</b>				
Gross accounts receivable	1 179	1 450	1 102	966
Allowance for impairment	(1 087)	(1 450)	(1 013)	(977)
	<b>92</b>	<b>49</b>	<b>89</b>	<b>(13)</b>
Prepayments	434	684	366	711
Foreign exchange differences on trade and other receivables	75	100	78	102
	<b>601</b>	<b>833</b>	<b>533</b>	<b>782</b>

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>Reconciliation of impairment of trade and other receivables</b>				
Opening balance	(1 401)	(1 502)	(997)	(1 217)
Impairments	(178)	(108)	(31)	11
Amounts utilised for write-offs	480	1	3	1
IFRS 9 adoption adjustment	12	208	12	208
<b>Closing balance</b>	<b>(1 087)</b>	<b>(1 401)</b>	<b>(1 013)</b>	<b>(997)</b>

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.

R MILLION	Gross amount	Current not yet past due	Past due but not impaired	Impaired amount
<b>18. TRADE AND OTHER RECEIVABLES (continued)</b>				
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.				
<b>GROUP – 2022</b>				
BSP	920	108	(58)	870
Credit card	42	1	34	7
GSA	6	11	(5)	–
Stations	36	8	–	28
Cargo freight and mail	66	(16)	49	33
Airline catering	20	19	–	1
Travel services	2	2	–	–
Technical maintenance	190	(137)	213	114
Alliance partners	27	–	27	–
Voyager	12	12	–	–
Other trade debtors	(142)	(383)	207	34
	1 179	(375)	467	1 087
<b>COMPANY – 2022</b>				
BSP	920	108	(58)	870
Credit card	42	1	34	7
GSA	6	11	(5)	–
Stations	36	8	–	28
Cargo freight and mail	66	(16)	49	33
Alliance partners	27	–	27	–
Voyager	12	12	–	–
Other trade debtors	(7)	(289)	207	75
	1 102	(165)	254	1 013
<b>GROUP – 2021</b>				
BSP	861	5	(39)	895
Credit card	34	(1)	33	2
GSA	(1)	1	(2)	–
Stations	3	–	2	1
Cargo freight and mail	39	(29)	32	36
Airline catering	30	29	–	1
Travel services	2	2	–	–
Technical maintenance	1 148	(349)	1 096	401
Alliance partners	23	1	22	–
Voyager	4	4	–	–
Other trade debtors	(693)	(871)	113	65
	1 450	(1 208)	1 257	1 401
<b>COMPANY – 2021</b>				
BSP	861	5	(39)	895
Credit card	34	(1)	33	2
GSA	(1)	1	(2)	–
Stations	3	–	2	1
Cargo freight and mail	39	(29)	32	36
Alliance partners	23	1	22	–
Voyager	4	4	–	–
Other trade debtors	3	(173)	113	63
	966	(192)	161	997

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>18. TRADE AND OTHER RECEIVABLES (continued)</b>				
<b>Past due but not impaired can be analysed further in terms of ageing as follows:</b>				
30 to 60 days	89	123	89	23
61 to 90 days	25	11	26	5
91 to 120+ days	353	1 123	139	133
	<b>467</b>	<b>1 257</b>	<b>254</b>	<b>161</b>
<b>Credit quality of trade and other receivables</b>				
Trade receivables can be analysed based on historical collections performance as follows:				
<b>Trade receivables</b>				
Trade debtors with no history of default	(375)	(1 208)	(165)	(192)
	<b>(375)</b>	<b>(1 208)</b>	<b>(165)</b>	<b>(192)</b>

## 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 R10 million (2021: R11 million) in respect of local GSA debtors and R144 million (2021: R144 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	2022	2021	2022	2021
<b>19. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of:				
Foreign bank accounts	337	758	340	761
Domestic bank accounts	1 706	4 648	1 404	4 619
<b>Total cash and cash equivalents</b>	<b>2 043</b>	<b>5 406</b>	<b>1 744</b>	<b>5 380</b>

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 R222 million (2021: R1 370 million). Of this restricted cash, R141 million (2021: R1 095 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	2022	2021	2022	2021
<b>20. LONG-TERM LOANS</b>				
<b>Secured loans</b>				
External loans	1 535	5 054	1 534	5 050
<b>The loans are repayable as follows:</b>				
On demand or within one year	1 534	5 050	1 534	5 050
Two to five years	1	4	–	–
	1 535	5 054	1 534	5 050
Less: Current portion	(1 534)	(5 050)	(1 534)	(5 050)
	1	4	–	–
<b>The carrying amounts of long-term loans are denominated in the following currencies:</b>				
Rand denominated domestic loans*	1 535	5 054	1 534	5 050
	1 535	5 054	1 534	5 050

\* In the prior financial year, the domestic loans bore interest at JIBAR plus a margin ranging from 1,8% to 2,9% and were secured by Shareholder guarantee. During the current financial year, R4,1 billion was settled by the Receivership, the remaining balance will also be settled by the Receivership in August 2022, which is why this liability has been classified as short-term.

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>21. TRADE AND OTHER PAYABLES</b>				
Trade payables	2 237	2 553	165	1 037
Payroll accruals	185	715	113	342
Deferred revenue collected on behalf of franchise and interline partners*	258	506	258	506
Ticket tax accruals	522	763	431	667
Other payables**	(84)	2 111	176	2 041
Current portion of receivership liabilities***	767	–	767	–
	3 885	6 648	1 910	4 593

\* 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.

\*\*\* This relates to the short-term portion of compromised creditors balances and lessor settlement balances that will be paid by the Receivership that was created when SAA exited business rescue. These Receivership obligations will be settled over a period of three years, which commenced in August 2021. Please refer to Note 27 for the long-term portion of this liability.

R MILLION	Notes	Financial liabilities at amortised cost	Fair value through profit or loss held-for-trading*	Total
<b>22. FINANCIAL LIABILITIES BY CATEGORY</b>				
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:				
<b>GROUP – 2022</b>				
Long- and short-term liabilities	20	1 535	–	1 535
Shareholder loan to share trust	27	63	–	63
Trade and other payables	21	2 144	–	2 144
Non-current portion of receivership liabilities	27	1 077	–	1 077
Current portion of receivership liabilities	21	767	–	767
		5 586	–	5 586

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

R MILLION	Notes	Financial liabilities at amortised cost	Fair value through profit or loss held-for-trading*	Total
<b>22. FINANCIAL LIABILITIES BY CATEGORY (continued)</b>				
<b>GROUP – 2021</b>				
Long- and short-term liabilities	20	5 054	–	5 054
Shareholder loan to share trust	27	63	–	63
Trade and other payables	21	5 019	–	5 019
Non-current legal settlements	27	40	–	40
		10 176	–	10 176

\* 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.

R MILLION	Notes	Loans and receivables	Fair value through profit or loss held-for-trading*	Available-for-sale	Total
<b>23. FINANCIAL ASSETS BY CATEGORY</b>					
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:					
<b>GROUP – 2022</b>					
Trade and other receivables	18	540	–	–	540
Cash and cash equivalents	19	2 043	–	–	2 043
Non-current aircraft and other deposits	12	2 193	–	–	2 193
		4 776	–	–	4 776
<b>GROUP – 2021</b>					
Trade and other receivables	18	727	–	–	727
Cash and cash equivalents	19	5 406	–	–	5 406
Non-current aircraft and other deposits	12	1 953	–	–	1 953
Current aircraft and other deposits	12	1 158	–	–	1 158
		9 244	–	–	9 244

\* 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.

## 24. RISK MANAGEMENT

### 24.1 Financial instruments categories

#### **FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

#### **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.

### 24.2 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.

### 24.3 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 45, which notes the concern in respect of the risk that SAA is largely undercapitalised.

### 24.4 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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 24. RISK MANAGEMENT (continued)

### 24.4 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.

R MILLION	Carrying principal amount*	Contractual amount*	1 to 3 months	3 to 6 months	1 to 5 years	Over 5 years
<b>GROUP – 31 MARCH 2022**</b>						
<b>Non-derivative financial liabilities</b>						
ZAR denominated secured loans	1 535	1 584	–	1 583	1	–
Accounts payable	3 885	3 885	3 885	–	–	–
Shareholder loan to share trust	63	63	–	–	63	–
Non-current portion of receivership liabilities	1 077	1 077	–	–	1 077	–
Current portion of receivership liabilities	767	767	–	–	–	–
<b>Total</b>	<b>7 327</b>	<b>7 376</b>	<b>3 885</b>	<b>2 350</b>	<b>1 141</b>	<b>–</b>

\* 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.

## 24. RISK MANAGEMENT (continued)

### 24.4 Financial risk management (continued)

R MILLION	Carrying principal amount*	Contractual amount*	Less than 1 month	1 to 3 months	1 to 5 years	Over 5 years
<b>GROUP – 31 MARCH 2021**</b>						
<b>Non-derivative financial liabilities</b>						
ZAR denominated secured loans	5 054	5 079	5 075	–	4	–
Accounts payable	6 648	6 648	–	6 648	–	–
Shareholder loan to share trust	63	63	–	–	63	–
Non-current legal settlements	40	40	–	–	40	–
<b>Total</b>	<b>11 805</b>	<b>11 830</b>	<b>5 075</b>	<b>6 648</b>	<b>107</b>	<b>–</b>

\* 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.

### 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 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 cash deposits. 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. 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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 24. RISK MANAGEMENT (continued)

### 24.5 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.

#### **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.



## 24. RISK MANAGEMENT (continued)

### 24.5 Credit risk management (continued)

#### 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:

R MILLION	GROUP		COMPANY	
	2022	2021	2022	2021
<b>Financial instruments</b>				
Cash and cash equivalents	2 043	5 406	1 744	5 380
Trade and other receivables	–	–	94	–
Investments	540	727	523	713
Non-current aircraft and other deposits	2 193	1 953	1 967	1 795
Current aircraft and other deposits	–	1 158	–	–

\* These amounts are not past due or impaired.

	IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND*				
	Foreign currency amount '000	Carrying amount R'000	+13%* -13% US\$ R'000	+12%* -12% EUR R'000	+13%* -13% GBP R'000
<b>FINANCIAL INSTRUMENTS</b>					
<b>Accounts receivable</b>					
<b>31 MARCH 2022</b>					
US\$ denominated	140 902	2 058 78	267 642	–	–
EUR denominated	4 299	69 520	–	8 342	–
GBP denominated	1 249	23 977	–	–	3 117
		2 152 284	267 642	8 342	3 117

	IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND*				
	Foreign currency amount '000	Carrying amount R'000	+18%* -18% US\$ R'000	+16%* -16% EUR R'000	+17%* -17% GBP R'000

#### MAXIMUM EXPOSURE TO CREDIT RISK (continued)

#### FINANCIAL INSTRUMENTS

#### Accounts receivable

#### 31 MARCH 2021

US\$ denominated	112 672	1 664 828	299 669	–	–
EUR denominated	1 802	31 236	–	4 998	–
GBP denominated	1 153	23 472	–	–	3 990
		1 719 536	299 669	4 998	3 990

\* 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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 24. RISK MANAGEMENT (continued)

### 24.6 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.

## 24. RISK MANAGEMENT (continued)

### 24.6 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:

	2022	2021
<b>Exchange rates used expressed in the number of rands per unit of foreign currency:</b>		
United States dollar (US\$)	14.61	14.78
Euro (EUR)	16.17	17.33
Pounds sterling (GBP)	19.20	22.15

	FOREIGN AMOUNT		RAND AMOUNT	
FIGURES IN MILLIONS	2022	2020	2022	2021
<b>FOREIGN CURRENCY EXPOSURE AT STATEMENT OF FINANCIAL POSITION DATE</b>				
The following debtors and creditors amounts included in the statement of financial position have not been covered by forward exchange contracts:				
<b>Accounts receivable</b>				
US dollar	141	113	2 059	1 665
Euro	4	2	70	31
UK pound	1	1	24	23
Hong Kong dollar	1	1	2	3
Danish krone	1	1	2	3
Swiss franc	2	2	30	24
Australian dollar	–	1	5	6
Brazilian real	12	12	37	33
Thai baht	2	1	1	1
Malawian kwacha	38	55	1	1
Other	–	–	58	12
			2 289	1 802
<b>Accounts payable</b>				
US dollar	58	60	854	888
Euro	4	6	60	99
UK pound	–	–	7	3
Australian dollar	2	3	23	31
Benin CFA Franc BCEAO	44	44	1	1
Other	–	–	38	42
			(983)	(1 064)
Accounts receivable as above			2 289	1 802
<b>Net exposure</b>			1 306	738

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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 24. RISK MANAGEMENT (continued)

### 24.6 Market risk management (continued)

#### PRICE RISK ASSOCIATED WITH COMMODITIES

Jet fuel consumption is SAA's biggest cost contributor, representing approximately 8 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 2,5 million litres (2021: 3,9 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 <sup>(1)</sup>		INTEREST RATE <sup>(1)</sup>			
	Foreign currency amount '000	Carrying amount R'000	Profit/(loss) impact -13% US\$ R'000	Profit/(loss) impact +13% US\$ R'000	Profit/(loss) impact -50 BPS US\$ -100 BPS ZAR R'000	Profit/(loss) impact +50 BPS US\$ +100 BPS ZAR R'000
<b>GROUP AND COMPANY</b>						
<b>Non-derivative financial instruments</b>						
<b>31 MARCH 2022</b>						
Secured borrowing – JIBAR floating debt (ZAR denominated)	–	1 534 626	–	–	15 346	(15 346)
Accounts payable (US\$ denominated)	58 429	853 734	110 985	(110 985)	–	–
<b>Total financial liabilities</b>		<b>2 388 360</b>	<b>110 985</b>	<b>(110 985)</b>	<b>15 346</b>	<b>(15 346)</b>
Foreign cash and cash equivalents (Favourable cash – US\$ equivalent)	23 076	337 146	(43 829)	43 829	(1 686)	1 686
ZAR based cash and cash equivalents (Favourable cash)	–	1 706 401	–	–	(17 064)	17 064
<b>Total financial assets</b>		<b>2 043 547</b>	<b>(43 829)</b>	<b>43 829</b>	<b>(18 750)</b>	<b>18 750</b>

			CURRENCY <sup>(1)</sup>	INTEREST RATE <sup>(1)</sup>		
	Foreign currency amount '000	Carrying amount R'000	Profit/(loss) impact -18% US\$ R'000	Profit/(loss) impact +18% US\$ R'000	Profit/(loss) impact -25 BPS US\$ -25 BPS ZAR R'000	Profit/(loss) impact +25 BPS US\$ +25 BPS ZAR R'000

## 24. RISK MANAGEMENT (continued)

### 24.6 Market risk management (continued)

#### GROUP AND COMPANY

##### Non-derivative financial instruments

#### 31 MARCH 2020

Secured borrowing – JIBAR floating debt (ZAR denominated)	–	5 054 440	–	–	12 636	(12 636)
Accounts payable (US\$ denominated)	60 115	888 253	159 886	(159 886)	–	–
<b>Total financial liabilities</b>		5 942 693	159 886	(159 886)	12 636	(12 636)
Foreign cash and cash equivalents (Favourable cash – US\$ equivalent)	51 272	757 590	(136 366)	136 366	(1 894)	1 894
ZAR based cash and cash equivalents (Favourable cash)	–	4 648 011	–	–	(11 620)	11 620
<b>Total financial assets</b>		5 405 601	(136 366)	136 366	(13 514)	13 514

			IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND <sup>(1)</sup>	
	Foreign currency amount '000	Carrying amount R'000	+12% -12% EUR/US\$ R'000	+13% -13% GBP/US\$ R'000
<b>GROUP AND COMPANY</b>				
<b>Non-derivative financial instruments</b>				
<b>31 MARCH 2022</b>				
<b>Denominated in EUR and GBP<sup>(2)</sup></b>				
Accounts payable – EUR	3 713	60 040	7 205	–
Accounts payable – GBP	362	6 941	–	902
		66 981	7 205	902

			IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND <sup>(1)</sup>	
	Foreign currency amount '000	Carrying amount R'000	+16% -16% EUR/US\$ R'000	+17% -17% GBP/US\$ R'000
<b>GROUP AND COMPANY</b>				
<b>Non-derivative financial instruments</b>				
<b>31 MARCH 2021</b>				
<b>Denominated in EUR and GBP<sup>(2)</sup></b>				
Accounts payable – EUR	5 740	99 487	15 918	–
Accounts payable – GBP	128	2 615	–	445
		102 102	15 918	445

(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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 24. RISK MANAGEMENT (continued)

### 26.6 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 in 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.

## 25. EMPLOYEE BENEFIT EXPENSES

### 25.1 Short-term employee benefit expenses

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
Personnel and labour costs	2 402	4 793	762	3 387
Contribution to medical funds	10	28	4	12
	2 412	4 821	766	3 399

### 25.2 Post-employment benefit expenses\*

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
Contribution to pension funds	123	181	45	52
Contribution to provident funds	–	4	–	4
Current-service cost	20	7	20	7
Interest cost	156	8	156	8
Return on plan assets	(185)	(6)	(185)	(6)
	114	194	36	65
<b>Total employee benefit expenses</b>	<b>2 526</b>	<b>5 015</b>	<b>802</b>	<b>3 464</b>

\* 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 28.

## 26. RETIREMENT BENEFITS

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
Post-retirement medical benefits	(33)	(33)	(33)	(33)
Retirement benefit obligation	(92)	(107)	(92)	(107)
Retirement benefit asset	6	11	6	11
	(119)	(129)	(119)	(129)
Non-current assets	6	11	6	11
Non-current liabilities	(125)	(140)	(125)	(140)
	(119)	(129)	(119)	(129)



R MILLION	GROUP		COMPANY	
	2022	2021	2022	2021
<b>27. OTHER LONG-TERM LIABILITIES</b>				
Shareholder loan to South African Airways Employee Share Trust	63	63	–	–
Non-current legal settlements	–	40	–	40
Non-current portion of receivership liabilities***	1 077	–	1 077	–
	1 140	103	1 077	40

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 2022/2023 financial year and therefore has been classified as long-term.

The non-current legal settlements related 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 the non-current portion of the debt after it was compromised during the SAA business rescue process. This balance was transferred to the receivership during the current financial year and two instalments of approximately R19,8 million each will now be paid via the receivership in August 2022 and August 2023 respectively.

\*\*\* This relates to the long-term portion of compromised creditors balances and lessor settlement balances that will be paid by the Receivership that was created when SAA exited business rescue. These Receivership obligations will be settled over a period of three years, which commenced in August 2021. Please refer to Note 21 for the short-term portion of this liability.

## 28. EMPLOYEE BENEFIT INFORMATION

### 28.1 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.

#### 28.1.1 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. Actuarial valuations are done, at intervals not exceeding three years, to determine its financial position. The last actuarial valuation was performed at 31 March 2022. The actuaries were satisfied with the status of the members' credit account then.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 28. EMPLOYEE BENEFIT INFORMATION (continued)

### 28.1 SAA Group pension benefits (continued)

#### 28.1.2 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 3 active members (2021: 13) and 316 pensioners (2021: 312) at 31 March 2022. An actuarial valuation was done as at 31 March 2022 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.

PERCENT	2022
<b>Principal actuarial assumptions used:</b>	
Discount rate	10.00
Inflation	5.80
Salary increases	
– Inflation	6.80
Pension increases	
– First three years	4.35
– After three years	4.35
<b>R MILLION</b>	<b>2022</b>
<b>Benefit asset</b>	
Present value of obligation	(1 359)
Fair value of plan assets	1 928
Surplus	569
Asset not recognised	(563)
<b>Net asset per the statement of financial position</b>	<b>6</b>
<b>Reconciliation of movement in present value of obligation</b>	
Opening benefit liability at the beginning of the year	(1 597)
Service cost	(13)
Interest cost	(150)
Remeasurement due to change in economic assumptions	155
Remeasurement due to change in demographic assumptions	–
Remeasurement due to experience	56
Benefits paid	190
Past-service cost	–
Member contributions	–
<b>Closing fair value of obligation</b>	<b>(1 359)</b>

PERCENT	2022
<b>28. EMPLOYEE BENEFIT INFORMATION (continued)</b>	
28.1 SAA Group pension benefits <i>(continued)</i>	
28.1.2 SAA subfund of the transport pension fund <i>(continued)</i>	
<b>Reconciliation of fair value of plan assets</b>	
Opening fair value of plan assets	1 907
Return on plan assets – interest income	181
Remeasurement	29
Employer's contributions	1
Benefits paid	(190)
Member contributions	–
<b>Closing fair value of plan assets</b>	<b>1 928</b>
<b>Reconciliation of the change in the asset not recognised</b>	
Opening asset not recognised	(248)
Interest cost	(25)
Change in the effect of the asset ceiling	(290)
<b>Closing asset not recognised</b>	<b>(563)</b>
<b>The major categories of plan assets as a percentage of total plan assets are:</b>	<b>%</b>
Equity	9
Property	2
Bonds	75
Cash	4
International	10
Other	–
<b>Total</b>	<b>100</b>
<b>R MILLION</b>	<b>Rm</b>
Current-service cost	13
Interest on obligation	150
Past-service cost	–
Return on plan assets – interest income	(181)
	(18)

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.

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately R9 million relating to active employees and R1 350 million relating to members in retirement.

The plan assets are primarily invested in equities and bonds (with a majority in bonds). 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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 28. EMPLOYEE BENEFIT INFORMATION (continued)

### 28.1 SAA Group pension benefits (continued)

#### 28.1.2 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 6.3%	Increase by 7.2%
Inflation rate	1%	Increase by 5.6%	Decrease by 5.1%

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.

### 28.2 Medical benefits

#### 28.2.1 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.

The fund was not valued during the 2022 financial year. As at 31 March 2019 (date of last actuarial valuation), there were 666 continuation members and 6 696 in-service members. 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 and the average age of the in-service members was 42,9 years at 31 March 2019.

SAA subsidises continuation and in-service members with a fixed amount of 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, 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.

## 28. EMPLOYEE BENEFIT INFORMATION (continued)

### 28.2 Medical benefits (continued)

#### 28.2.1 SAA Group employees' post-retirement medical benefits (continued)

##### **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.

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.

The table below summarises the components recognised in the statement of financial position for the SAA Group as at 31 March 2020 and 31 March 2021 for SAA Group employees.

R MILLION	2021	2020
<b>Net benefit liability</b>		
Present value of unfunded benefit obligations	33	33

### 28.3 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 RNil (2022: R2,6 million) to the defined benefit plan during the next financial year.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 28. EMPLOYEE BENEFIT INFORMATION (continued)

### 28.3 SA German pension fund benefits (continued)

#### 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 2021 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	2022	2021
<b>Principal actuarial assumptions used:</b>		
Discount rate	2.10	1.30
Salary increases	–	1.50
Pension increases per three years	6.00	3.00
<b>R MILLION</b>	<b>2022</b>	<b>2021</b>
<b>Benefit liability</b>		
Present value of obligation	(396)	(449)
Fair value of plan assets	304	342
<b>Net liability per the statement of financial position</b>	<b>(92)</b>	<b>(107)</b>
<b>Reconciliation of movement in present value of obligation</b>		
Opening benefit liability at the beginning of the year	449	481
Service cost	7	7
Interest cost	6	8
Exchange differences on foreign plans	(31)	(59)
Benefits paid	(17)	(18)
Remeasurement due to change in economic assumptions	(16)	32
Remeasurement due to change in demographic assumptions	–	–
Remeasurement due to change in experience	(2)	(2)
<b>Closing present value of obligation</b>	<b>396</b>	<b>449</b>
<b>Reconciliation of fair value of plan assets</b>		
Opening fair value of plan assets	342	352
Exchange differences on foreign plans	(21)	(44)
Return on plan assets – interest income	4	6
Remeasurement – return on plan assets excluding interest income	(1)	47
Benefits paid	(21)	(22)
Employer's contribution	1	3
<b>Closing fair value of plan assets</b>	<b>304</b>	<b>342</b>

## 28. EMPLOYEE BENEFIT INFORMATION (continued)

### 28.3 SA German pension fund benefits (continued)

The major categories of plan assets as a percentage of total plan assets are:

PERCENT	2022	2021
Equity	29	31
Cash	–	–
Other	71	69
<b>Total</b>	<b>100</b>	<b>100</b>

R MILLION	2022	2021
Current-service cost	7	7
Interest on obligation	6	8
Return on plan assets	(4)	(6)
	<b>9</b>	<b>9</b>

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately R113 million (2021: R165 million) relating to active employees, R51 million (2021: R32 million) relating to deferred members and R232 million (2021: R252 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 6.7%	Increase by 7.5%
Salary increase rate	0.5%	Increase by 0.9%	Decrease by 0.8%
Pension increase rate	0.5%	Increase by 1.8%	Decrease by 1.7%

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 24.6, the average movement in the Rand/Euro exchange rate over the past four years was 12% (2021: 16%), therefore a 12% (2021: 16%) change in the Rand/Euro exchange rate will lead to a change of R11,0 million (2021: R17,1 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.

### 28.4 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% 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% in addition to what the member would receive from the pension fund in the case of disability. The members or SAA make no additional contributions 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% additional benefit to pilots, which resulted in SAA no longer having a legal or constructive obligation to fund the disability benefit.



# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

NUMBER OF SHARES	2022	2021
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## 28. EMPLOYEE BENEFIT INFORMATION (continued)

### 28.5 Share-based payments

#### 28.5.1 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	2022	2021
------------------	------	------

#### 28.5.2 Share incentive scheme

The scheme granted two types of shares, i.e. 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% 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	2022	2021
------------------	------	------

#### 28.5.3 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

### 28.6 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.

### 28.7 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	2022	2021
<b>29. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES</b>		
<b>EXECUTIVE DIRECTORS' AND KEY MANAGEMENT EMOLUMENTS</b>		
<b>Mango Airlines SOC Limited</b>		
<b>Ms M Labuschagne<sup>(1)</sup></b>		
Salary	–	481
	–	481
<b>Mr N Bezuidenhout<sup>(2)</sup></b>		
Salary	–	1 197
	–	1 197
<b>Mr W Ndlovu<sup>(3)</sup></b>		
Salary	3 739	1 532
	3 739	1 532
<b>Mr N Harichand<sup>(4)</sup></b>		
Salary	1 914	712
	1 914	712
<b>SAA Technical SOC Limited</b>		
<b>Mr WN Nyuswa<sup>(5)</sup></b>		
Salary	1 014	652
Allowance	158	95
Retirement fund contributions	92	51
	1 264	798
<b>Mr A Voss<sup>(6)</sup></b>		
Salary	–	3 952
Other benefits <sup>(7)</sup>	–	1 497
	–	5 449
<b>Mr R Saloojee<sup>(8)</sup></b>		
Salary	1 646	–
	1 646	–
<b>Mr M Muller<sup>(9)</sup></b>		
Salary	–	1 159
Allowance	–	265
	–	1 424

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

R THOUSAND	2022	2021
<b>29. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES (continued)</b>		
<b>EXECUTIVE DIRECTORS' AND KEY MANAGEMENT EMOLUMENTS</b>		
<b>Air Chefs SOC Limited</b>		
<b>Mr M Kemp<sup>(10)</sup></b>		
Salary	–	2 932
	–	2 932
<b>Mr K Mkwana</b>		
Salary	1 490	1 386
Retirement fund contributions	28	47
Allowance	12	23
Back pay	1 052	–
	2 582	1 456
<b>Mr DA Coyne<sup>(11)</sup></b>		
Salary	693	–
Retirement fund contributions	8	–
	701	–

(1) Resigned 15 July 2020.

(2) Resigned 31 July 2020.

(3) Appointed 9 July 2020.

(4) Appointed 1 July 2020.

(5) Appointed as Acting CFO from 1 September 2020. Mr WN Nyuswa was not appointed as an executive director, but was considered to be key management personnel of SAA Technical SOC Limited.

(6) Resigned 31 October 2020.

(7) Other benefits relate to amounts paid on termination of contract.

(8) Appointed 3 September 2021.

(9) Resigned as Acting CFO on 30 September 2020. Mr M Muller was not appointed as an executive director, but is considered to be key management personnel of SAA Technical SOC Limited.

(10) Resigned 31 March 2021.

(11) Appointed 16 November 2021.

R THOUSAND	2022	2021
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## 29. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES (continued)

### NON-EXECUTIVE DIRECTORS' EMOLUMENTS

#### Mango Airlines SOC Limited

Mr MP Tshisevhe <sup>(12)</sup>	119	381
Mr AH Moosa <sup>(13)</sup>	–	–
Mr G Rothschild <sup>(13)</sup>	–	23
Mr HP Maluleka <sup>(14)</sup>	–	21

119 425

#### SAA Technical SOC Limited

Mr AI Bassa <sup>(14)</sup>	–	150
Mr AH Moosa <sup>(15)</sup>	–	–
Ms TN Mgoduso <sup>(16)</sup>	–	64
Mr NO Fadugba <sup>(17)</sup>	441	–
Ms MMB Zwane <sup>(17)</sup>	95	–

535 214

#### Air Chefs SOC Limited

Mr G Rothschild <sup>(14)</sup>	–	111
Mr HP Maluleka <sup>(14)</sup>	–	24
Ms TN Mgoduso <sup>(16)</sup>	–	48
Mr MP Tshisevhe <sup>(12)</sup>	–	48
Ms MMB Zwane <sup>(18)</sup>	151	–
Prof MJ Lamola <sup>(18)</sup>	24	–
Prof EL Van Harte <sup>(19)</sup>	148	–

323 231

#### South African Airways City Center SOC Limited

Mr E Lusenga <sup>(20)</sup>	–	–
Ms P Luhabe <sup>(21)</sup>	–	–
Mr TTM Kgokolo <sup>(22)</sup>	–	–
Mr Z Mhlontlo <sup>(22)</sup>	–	–
Ms KC Mbeki <sup>(22)</sup>	–	–

– –

(12) Resigned 22 July 2021.

(13) Mr G Rothschild resigned on 26 June 2020 and Mr AH Moosa resigned on 25 August 2020.

(14) Resigned 26 June 2020.

(15) Resigned 25 August 2020.

(16) Resigned 15 October 2020.

(17) Appointed 8 November 2021.

(18) Appointed 13 December 2021.

(19) Appointed 7 July 2021 and resigned 7 December 2021.

(20) Resigned 28 February 2022.

(21) Resigned 16 November 2021.

(22) Appointed 1 December 2021.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>30. TAXATION</b>				
<b>Major components of the tax expense</b>				
<b>Current</b>				
Local income tax – current year	–	–	–	–
<b>Deferred</b>				
Deferred tax – current year	–	–	–	–
	–	–	–	–
<b>Reconciliation of the tax expense</b>				
Reconciliation between accounting loss and tax expense:				
Accounting loss	3 297	7 615	1 702	9 419
Tax at the applicable tax rate of 28% (2021: 28%)	923	2 132	477	2 637
<b>Tax effect of adjustments on taxable income</b>				
Tax effect of non-deductible expenses	(129)	(1 568)	(129)	(1 885)
Current year temporary differences for which no deferred income tax asset was recognised	529	337	389	321
Tax losses for which no deferred income tax asset was recognised	(1 323)	(901)	(737)	(1 073)
	–	–	–	–
Estimated tax losses available to be utilised against future taxable income	46 172	41 447	42 887	40 254

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>31. DEFERRED TAX ASSET</b>				
Temporary differences in respect of property, aircraft and equipment	(120)	(174)	(101)	(129)
Doubtful debts	239	293	215	209
Air traffic liability and other deferred income	500	561	479	525
Provisions	416	1 819	253	609
Prepayments	(26)	(5)	(26)	(5)
Computed tax loss	12 928	11 605	12 008	11 271
	13 937	13 099	12 828	12 480
Deferred tax asset not recognised	(13 887)	(13 049)	(12 828)	(12 480)
<b>Deferred tax asset recognised</b>	50	50	–	–

## 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 R13,9 billion (2021: R13,0 billion) in respect of losses amounting to R46,2 billion (2021: R41,4 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.

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>32. TAX PAID</b>				
Movement in the deferred tax balance in the current year	–	(2)	–	–
Tax paid in foreign jurisdictions	(1)	(1)	(1)	(1)
<b>Tax paid per statement of cash flows</b>	(1)	(3)	(1)	(1)

R MILLION	2022			2021		
	Cost/ valuation	Accumulated amortisation/ impairment	Carrying value	Cost/ valuation	Accumulated amortisation/ impairment	Carrying value
<b>33. INTANGIBLE ASSETS</b>						
<b>GROUP</b>						
Software development	504	(411)	93	535	(431)	104
Goodwill*	35	(35)	–	35	(35)	–
Capital work in progress	33	–	33	33	–	33
<b>Total</b>	<b>572</b>	<b>(466)</b>	<b>126</b>	<b>603</b>	<b>(466)</b>	<b>137</b>
<b>COMPANY</b>						
Software development	381	(381)	–	381	(376)	5
Capital work in progress	33	–	33	33	–	33
<b>Total</b>	<b>414</b>	<b>(381)</b>	<b>33</b>	<b>414</b>	<b>(376)</b>	<b>38</b>

R MILLION	Software development	Goodwill*	Capital work in progress	Total
<b>GROUP</b>				
<b>Reconciliation</b>				
Opening balance	135	–	33	168
Amortisation	(31)	–	–	(31)
<b>Balance at 31 March 2021</b>	<b>104</b>	<b>–</b>	<b>33</b>	<b>137</b>
Opening balance	104	–	33	137
Amortisation	(11)	–	–	(11)
<b>Balance at 31 March 2022</b>	<b>93</b>	<b>–</b>	<b>33</b>	<b>126</b>

R MILLION	Software development	Capital work in progress	Total
<b>COMPANY</b>			
<b>Reconciliation</b>			
Opening balance	28	33	61
Amortisation	(23)	–	(23)
<b>Balance at 31 March 2021</b>	<b>5</b>	<b>33</b>	<b>38</b>
Opening balance	5	33	38
Amortisation	(5)	–	(5)
<b>Balance at 31 March 2022</b>	<b>–</b>	<b>33</b>	<b>33</b>

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

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

R MILLION	GROUP		COMPANY	
	2022	2021	2022	2021
<b>34. INVENTORIES</b>				
Maintenance inventories	922	959	–	–
Work in progress	34	65	–	–
Consumables	108	125	36	64
	1 064	1 149	36	64
Impairment of Inventories	(517)	(517)	–	–
	547	632	36	64
<b>Reconciliation of impairment of inventories</b>				
Opening balance	(517)	(527)	–	–
Reversal of previous write-downs to net realisable value	–	156	–	–
Write-down of inventories recognised as an expense during the year	–	(146)	–	–
<b>Closing balance</b>	<b>(517)</b>	<b>(517)</b>	<b>–</b>	<b>–</b>

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.

## 35. 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.

R MILLION	GROUP		COMPANY	
	2022	2021	2022	2021
<b>36. FAIR VALUE AND TRANSLATION MOVEMENTS</b>				
<b>Foreign exchange (gain)/loss on translation of:</b>				
Foreign cash balances	76	428	77	429
Foreign currency denominated net receivables	(120)	(794)	(18)	(732)
Net monetary assets and liabilities	(5)	918	(6)	752
<b>Translation of foreign assets and liabilities</b>	<b>(49)</b>	<b>552</b>	<b>53</b>	<b>449</b>



R MILLION	Gross	Tax	Net
<b>37. OTHER COMPREHENSIVE LOSS</b>			
<b>COMPONENTS OF OTHER COMPREHENSIVE LOSS</b>			
<b>GROUP – 2022</b>			
<b>Movements in other reserves</b>			
Remeasurement of SAA German Pension Fund	17	–	17
	17	–	17
<b>GROUP – 2021</b>			
<b>Movements in other reserves</b>			
Remeasurement of SAA German Pension Fund	17	–	17
Change in value of available-for-sale financial asset	(35)	–	(35)
	(18)	–	(18)
<b>COMPANY – 2022</b>			
<b>Movements in other reserves</b>			
Remeasurement of SAA German Pension Fund	17	–	17
	17	–	17
<b>COMPANY – 2021</b>			
<b>Movements in other reserves</b>			
Remeasurement of SAA German Pension Fund	17	–	17
Change in value of available-for-sale financial asset	(35)	–	(35)
	(18)	–	(18)

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 38. 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 2021/2022 compared to the 2020/2021 financial year:

R MILLION	GROUP		COMPANY	
	2022	2021	2022	2021
<b>Fruitless and wasteful expenditure</b>				
Opening balance	202.4	183.9	16.0	16.0
Add: Fruitless and wasteful expenditure – current year	4.9	18.5	4.5	–
<b>Fruitless and wasteful expenditure closing balance</b>	<b>207.3</b>	202.4	<b>20.5</b>	16.0

The fruitless and wasteful expenditure relates to fines/penalties that the SAA Group received and paid in the 2021/2022 financial year. SAA went through a Business Rescue Process which suspended most of the creditors and no fines/penalties were issued for SAA as a company. A process will be undertaken in the 2022/2023 financial year to investigate and determine the responsible employees. Once the investigation process is concluded, those found to be in contravention of the PFMA will go through a disciplinary or consequence management process. This will be followed by a recovery process from the responsible employees.

The Group is planning to appoint a service provider to verify the fruitless and wasteful expenditure dating back to the 2011/2012 financial year for completeness of the opening balances. This exercise could not be undertaken internally due to a lack of internal resources. The approval 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 the National Treasury.

R MILLION	GROUP		COMPANY	
	2022	2021	2022	2021
<b>Irregular spend without loss</b>				
Opening balance	38 971.6	29 510.2	32 319.6	22 879.1
Add: Irregular spend – current year	5 535.1	9 461.4	5 422.5	9 440.5
<b>Irregular spend awaiting condonement</b>	<b>44 506.7</b>	38 971.6	<b>37 742.1</b>	32 619.6

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 R44,5 billion (2021: R39,0 billion) relates to deviations for confinements undertaken at the international stations and numerous contract extensions exceeding the 15% 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, savings were, however, realised. This has been done to ensure business continuity and minimise business disruptions which would have otherwise led to a failure to restart operations after the Business Rescue Process. 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 is planning to appoint a service provider to verify the fruitless and wasteful expenditure dating back to the 2011/2012 financial year, the entire irregular expenditure population will be revisited in order to gain comfort around the completeness of the opening balances. This exercise could not be undertaken internally due to a lack of resources.

### 38. INFORMATION REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT (continued)

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 will be issued (like in the past) and suspensions/dismissals will be 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.

#### 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 2021/2022 FY SAA and its subsidiaries reported no incidence of criminal conduct in relation to the Public Finance Management Act. However, there are matters that are being investigated by SIU in terms of the Presidential proclamation, and criminal cases have been registered with DPCI, HAWKS by the SIU. Some of the matters are as a result of the State Capture Commission. Some of the matters are being dealt with by ID and some already being referred to the NPA. All these identified matters are historic matters dating back from 2013 to 2017. The matters under investigation are not yet declared Irregular, nor fruitless and wasteful expenditure.

R MILLION	COMPANY	
	2022	2021
Shares at cost	6 908	3 822
Impairment of investments in subsidiaries	(5 027)	(3 822)
	1 881	–

### 39. INVESTMENTS IN SUBSIDIARIES

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

Name of company	Shares	PERCENTAGE HOLDING		R MILLION SHARES AT COST	
		2022	2021	2022	2021
Mango Airlines SOC Limited	1 120	100	100	756	336
SAA Technical SOC Limited	640	100	100	5 608	3 160
Air Chefs SOC Limited	837	100	100	542	324
South African Airways City Center SOC Limited	1 000	100	100	2	2
				6 908	3 822
Impairment of investments in subsidiaries				(5 027)	(3 822)
				1 881	–

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 R2 825 million (2021: R1 426 million).

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

R MILLION	COMPANY	
	2022	2021
<b>40. AMOUNTS RECEIVABLE FROM SUBSIDIARIES</b>		
<b>SUBSIDIARIES</b>		
Mango Airlines SOC Limited	327	238
SAA Technical SOC Limited	94	785
South African Airways City Center SOC Limited	20	20
	441	1 043
Impairment of loans to subsidiaries	(347)	(1 043)
	94	–
Non-current assets	94	–
	94	–

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. Due to SAAT's financial position at 31 March 2021, the amount receivable from SAAT was impaired in full at that point in time. The loan to South African Airways City Center SOC Limited (SATC) was fully impaired in prior years. Due to Mango's financial position at 31 March 2022, the amount receivable from Mango has also been impaired in full at year end.

NUMBER OF SHARES	GROUP		COMPANY	
	2022	2021	2022	2021
<b>41. SHARE CAPITAL</b>				
<b>Authorised</b>				
40 000 000 000 ordinary no par value shares	40 000	40 000	40 000	40 000
	40 000	40 000	40 000	40 000
<b>Issued</b>				
Ordinary no par value shares	13 384	13 244	13 384	13 244
	13 384	13 244	13 384	13 244

All shares are held by the South African Government, represented by the Department of Public Enterprise, except for 117 578 806 shares held by the South African Airways Employee Share Trust.

R MILLIONs	GROUP		COMPANY	
	2022	2021	2022	2021
<b>Reconciliation of number of shares issued:</b>				
Opening balance	13 244	13 126	13 244	13 126
Recapitalisation issue – ordinary no par value shares issued during the year	140	118	140	118
	13 384	13 244	13 384	13 244
<b>Reconciliation of Rand value of shares issued:</b>				
Balance at the beginning of the year	33 392	12 892	33 626	13 126
Shares issued during the year in respect of contributed capital	24 334	20 500	24 334	20 500
<b>Balance at the end of the year</b>	<b>57 726</b>	<b>33 392</b>	<b>57 960</b>	<b>33 626</b>

	GROUP		COMPANY	
R MILLION	2022	2021	2022	2021
<b>42. SHAREHOLDER CONTRIBUTION</b>				
Balance at the beginning of the year	18 275	20 500	18 275	20 500
Contribution made by shareholder during the year	6 778	18 275	6 778	18 275
Shares issued during the year in respect of contributed capital	(24 334)	(20 500)	(24 334)	(20 500)
<b>Balance at the end of the year</b>	<b>719</b>	<b>18 275</b>	<b>719</b>	<b>18 275</b>

During the 2022 financial year, an amount of R719 million (2021: R18,3 billion) invested in the company by the Shareholder was not converted into share capital. The shares were issued in subsequent year ends.

### 43. 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 R0 million (2021: R194 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 arm's-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.

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.

	GROUP		COMPANY	
R THOUSAND	2022	2021	2022	2021
<b>RELATED PARTY BALANCES</b>				
<b>Amounts receivable from related parties*</b>				
Subsidiaries	–	–	94 098	–
Public entities	–	26	–	20
	–	26	94 098	20
<b>Amounts payable to related parties**</b>				
Subsidiaries	–	–	8 362	34 813
Public entities	6 247	19 681	160	19 681
	6 247	19 681	8 522	54 494

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

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

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

	GROUP		COMPANY	
R THOUSAND	2022	2021	2022	2021
<b>43. RELATED PARTIES (continued)</b>				
<b>RELATED PARTY TRANSACTIONS</b>				
<b>Sales of goods/services</b>				
Subsidiaries	–	–	63 819	99 967
Public entities	234	72	234	66
	234	72	64 053	100 033
<b>Purchases of goods/services</b>				
Subsidiaries	–	–	201 378	830 627
Public entities	77 005	24 640	64 116	24 640
	77 005	24 640	265 494	855 267
<b>Other transactions</b>				
Key management personnel*	25 823	30 113	13 977	14 132
	25 823	30 113	13 977	14 132

\* 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 29. 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	2022	2021
Non-executive compensation is set out below:		
<b>BOARD OF DIRECTORS</b>		
<b>Non-executive</b>		
Mr HP Maluleka <sup>(1)</sup>	–	67
Ms TN Mgoduso <sup>(2)</sup>	–	425
Mr AH Moosa <sup>(3)</sup>	–	–
Mr MP Tshisevhe <sup>(4)</sup>	71	305
Mr G Rothschild <sup>(1)</sup>	–	53
Mr Al Bassa <sup>(1)</sup>	–	53
Prof EL Van Harte <sup>(5)</sup>	215	67
Ms MMB Zwane <sup>(6)</sup>	296	67
Mr NO Fadugba <sup>(6)</sup>	239	67
Ms JB Crawford <sup>(7)</sup>	40	67
Mr MG Qhena <sup>(8)</sup>	185	233
Prof MJ Lamola <sup>(9)</sup>	553	–
	1 599	1 404

(1) Resigned 26 June 2020.

(2) Resigned 15 October 2020.

(3) Resigned 25 August 2020.

(4) Resigned 22 July 2021.

(5) Appointed 8 December 2020 and resigned 7 December 2021.

(6) Appointed 8 December 2020.

(7) Appointed 8 December 2020 and resigned 7 June 2021.

(8) Appointed 8 December 2020 and resigned 30 June 2021.

(9) Appointed 14 July 2021.

R THOUSAND	Salaries	Allowances	Fund contributions	Other benefits <sup>(1)</sup>	Total
<b>43. RELATED PARTIES (continued)</b>					
In terms of the Group's travel benefits policy as referred to in Note 28.7, 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.					
<b>SHORT-TERM EMPLOYEE BENEFITS 2022</b>					
<b>Executive directors<sup>(2)</sup></b>					
Mr T Kgokolo <sup>(3)</sup>	3 604	16	–	–	3 620
Mr Z Mhlontlo <sup>(4)</sup>	2 798	16	–	–	2 814
	6 402	32	–	–	6 434
<b>Executive Committee</b>					
Capt S Reiling <sup>(3)</sup>	2 595	16	–	–	2 611
Ms M Letlape <sup>(4)</sup>	2 544	16	–	–	2 560
Mr S Newton-Smith <sup>(5)</sup>	2 372	–	–	–	2 372
	7 511	32	–	–	7 43

(1) Other benefits relate to amounts paid on termination of contract in the case of Executive Committee members that left SAA during the 2021/2022 financial year.

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

(3) Appointed 13 April 2021.

(4) Appointed 1 April 2021.

(5) Appointed 1 August 2021.

	Salaries	Allowances	Fund contributions	Other benefits <sup>(1)</sup>	Total
<b>SHORT-TERM EMPLOYEE BENEFITS 2021</b>					
<b>Executive directors<sup>(2)</sup></b>					
Ms Z Ramasia <sup>(3)</sup>	57	17	–	198	272
Mr D Fredericks <sup>(4)</sup>	3 641	–	–	–	3 641
Ms LS Olitzki <sup>(5)</sup>	442	66	–	–	508
	4 140	83	–	198	4 421
<b>Executive Committee</b>					
Mr J du Plessis <sup>(6)</sup>	341	4	–	–	345
Mr C McQuirk <sup>(7)</sup>	2 005	236	–	–	2 241
Ms M Qofa <sup>(8)</sup>	156	44	–	27	227
Mr P Luthuli <sup>(9)</sup>	1 543	164	–	1 164	2 871
Mr V Pikoli <sup>(8)</sup>	224	–	–	136	360
Mr P Saunders <sup>(4)</sup>	3 667	–	–	–	3 667
Mr M Kemp <sup>(10)</sup>	–	–	–	–	–
	7 936	448	–	1 327	9 711

(1) Other benefits relate to amounts paid on termination of contract in the case of Executive Committee members that left SAA during the 2020/2021 financial year.

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

(3) Resigned 14 April 2020.

(4) Resigned 31 December 2020.

(5) Appointed as Interim CFO effective 5 January 2021 until 31 March 2021.

(6) Resigned 31 August 2020.

(7) Appointed to the Executive Committee in an acting capacity until 31 March 2021.

(8) Resigned 30 April 2020.

(9) Resigned 31 March 2021.

(10) Resigned 31 March 2021. Mr M Kemp was also the CEO of Air Chefs SOC Limited, his emoluments can be found in Note 29.



# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 44. 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.

### 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

The Shareholder has made it clear that they are actively seeking a strategic equity partner (SEP) for SAA. On 11 June 2021 the 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% 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 as, 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 2022 to 30 June 2023 the Shareholder has provided R 2,6 billion funding to SAA. SAA received R1,6 billion on 4 August 2022 to enable the company to settle the legacy long-term debt. A further R1 billion was received on 3 April 2023 to fund Receivership liabilities.

### GOVERNANCE

#### Non-Executive Director Movements

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.

#### Executive Director and Other Movements

The Interim CEO Mr T Kgokolo resigned 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 USD87,9 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 A340-600s and 3 x A340-300s) 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.

## 45. 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 of 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% to just less than 1 000 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 six leased aircraft operating five 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 seven 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 business' current liabilities exceeded its current assets by R2.9 billion and operating profit was negative R1.7 billion.

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 six 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 two 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 eight 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 five-year plan taking into account the planned increase in fleet size and geographic footprint.

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 five-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, at a company level, SAA has assets of R7.6 billion, liabilities of R6.9 billion, and net positive equity of R0.7 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.

# Notes to the Group and Company annual financial statements (continued)

for the year ended 31 March 2022

## 45. GOING CONCERN (continued)

### 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 an 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 finalisation 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 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.

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# Corporate information

## COUNTRY OF INCORPORATION AND DOMICILE

The Republic of South Africa

## COMPANY REGISTRATION NUMBER

1997/022444/30

## SAA GROUP BOARD

The SAA Board comprised the following members:

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 Davenry 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](http://www.flysaa.com)

# Definitions

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