SOUTH AFRICAN AIRWAYS

STAR ALLIANCE

2023

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

# GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

2023

## Contents to financial report



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 2023.

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 2023.

## 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 Transport. The airline's principal activities include the providing of scheduled air services for the transportation of passengers, freight and mail to international, regional and domestic destinations. In fulfilling its mission to deliver commercially sustainable world-class air passenger aviation services in South Africa, the African continent and to tourism and trading partners.

## OPERATING RESULTS

**Financial performance for the year**

| | 2023 Rm | 2022 Rm |
|---|---|---|
| **Income** | **5 698** | 2 012 |
| Operating costs excluding translation (losses)/gains | **(5 441)** | (5 234) |
| Translation (losses)/gains | **184** | 17 |
| **EBITDA** | **441** | (3 205) |
| Finance costs | **(42)** | (213) |
| **Net profit/(loss)** | **252** | (3 682) |

**Year-end financial position**

| | 2023 Rm | 2022 Rm |
|---|---|---|
| Interest-bearing borrowings | – | 1 535 |
| Bank overdraft | – | – |
| Cash and cash equivalents | **1 663** | 2 043 |
| Equity position | **4 734** | (980) |

The airline exited business rescue on 30 April 2021, a process that was complicated and took 17 months, longer than was initially expected. However, the airline then remained in care and maintenance for the first half of the financial year before restarting flight operations in the last week of September 2021. The 2022/23 financial year was the first full year of flying operations post business rescue.

While the revenue for the year of R5.7 billion was significantly more compared to the R2.0 billion in the prior year, the revenue figures for the two years are not strictly comparable as SAA operated a full flight schedule in the current year, whereas in the prior year they only operated flights for half a year. The operating costs increased marginally in line with improved flight activities with employee costs reducing in the current year as the subsidiary restructure programmes had been concluded. SAA's financial performance demonstrates a comeback that is gaining momentum as the strategic plan is implemented successfully.

The airline restarted operations with a fleet of five narrow-body aircraft and one wide-body aircraft. SAA in the short term did not have the scale of operations to take full advantage of the gaps in the market, however, during 2023 SAA received shareholder approval to increase the fleet by six aircraft – one A330-300 (wide-body) and five A320s (narrow-body). During 2024 SAA requested shareholder permission to increase the fleet by a further eight aircraft, (five narrow body and three wide-body). Increasing the fleet to 21 aircraft will allow SAA to pursue its strategic objectives in a profitable manner. Permission for this expansion has been granted and it is anticipated that the majority of these aircraft will be in operation by the end of the 2024/25 financial year.

The cash position remains positive and SAA continues to implement initiatives to improve its cash position. The airline received the R1 billion funding from the Shareholder during April 2023 to address business rescue liabilities. All the remaining business rescue liabilities were settled by the end of September 2023.

The restructuring of the balance sheet following the business rescue process resulted in positive equity and the airline is essentially debt free. Consequently, there are no finance costs that are incurred compared to prior years. In line with its accounting policies, SAA undertook a valuation of its property portfolio during the year. There has been significant growth in the value of this portfolio since the previous valuation in 2017.

## 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. The airline was placed in business rescue on 5 December 2019, as a result of which, existing liabilities were compromised. The shareholder funded the company as detailed in note 46 and SAA exited the business rescue process on 30 April 2021. SAA has a positive equity position (refer to note 46 to the annual financial statements). The business model is producing positive results at an operational level and there is sufficient cash to ensure the company is able to pay its debts as they fall due.

Following the business rescue, the shareholder funding detailed in note 46, the financial position of the company and the group as of the signature date, the directors are satisfied that South African Airways can continue to operate as a going concern. The consolidated annual financial statements were therefore prepared on this basis.

## Recapitalisation and share capital

SAA received funding of R1.583 billion from the shareholder during the financial year under review for the repayment of legacy debt. Shares in respect of this funding as well as R719 million received in the previous year were issued during the financial year (refer to note 43). Details of the share capital of the Group and Company are set out in note 42 of the annual financial statements. Funding subsequent to the year is disclosed in note 45 of the annual financial statements.

## Dividends

No dividends have been declared in the current financial year.

## Directorship

The changes at the board are disclosed in note 44 of the annual financial statements and the following are active directors as of the date of the approval of the annual financial statements:

| Non-executive directors | Executive directors |
|---|---|
| Mr D Hanekom | Prof MJ Lamola – Interim CEO |
| Ms F Gany | Ms L Olitzkio – Interim CFO |
| Ms F Sithebe | |
| Mr M Mazwi | |
| Adv J Weapond | |
| Mr D Sangweni | |

Details of the directors' emoluments are reflected in note 44 of the annual financial statements while movements of directors can also 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 45 of the annual financial statements, but have been disclosed as they are perceived to be material to the user of the financial statements.

## Group Company Secretary

The Group 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 | Postal address |
|---|---|
| Airways Park<br>32 Jones Road<br>Kempton Park | Private Bag X13<br>Kempton Park<br>1627 |

# DIRECTORS' ATTENDANCE AT MEETINGS

**FY 2022/2023 summary of director attendance at Board and committee meetings**

| | Board meetings | Social, Ethics and Governance Committee ("SEGCO") meetings | Finance and Investment Committee ("FINCO") meetings |
|---|---|---|---|
| **Total no. of meetings** | **13** | **3** | **4** |
| **MJ Lamola** | **13** | **3** | **2** |
| **N Fadugba** | **13** | **3** | **4** |
| **B Zwane** | **13** | **3** | **4** |
| **F Mhlontlo** | **13** | **2** | **4** |
| **T Kgokgolo** | **1** | **0** | **0** |

# 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 2023, as set out on pages 20 to 84, have been prepared under the supervision of Lindsay Olitzki CA(SA) and were approved by the Board Of Directors on 14 November 2024 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 the previous management under the oversight of the previous Board. The new management and the Board have therefore placed reliance on the previous management and the previous Board regarding these annual financial statements. The newly appointed interim directors have, however, approved and signed the annual financial statements below in the interest of continuity and good corporate governance.

**D Hanekom**
*Chairperson of the Board*

**J Lamola**
*Interim Chief Executive Officer*

14 November 2024

# Report of the Audit and Risk Committee ("ARC")

The Audit Committee is a statutory Committee in terms of the Public Finance Management Act, Act 1 of 1999, as amended by Act 29 of 1999 ("PFMA") and the Companies Act, 71 of 2008 ("Companies Act"). It is a Committee of the South African Airways SOC Limited (SAA) Board of Directors ("Board") and has been assigned duties in terms of its Charter ("Terms of Reference") as approved by the Board.

ARC shall annually present its report at each financial year end, as per its obligations articulated in Paragraph 3.1.13 of the Treasury Regulations, issued in terms of Section 51(1)(a)(ii) of the PFMA.

During the 2022/23 financial year, SAA did not have an ARC as there were insufficient directors to legally constitute such a committee as stipulated by section 94 of the Companies Act and clause 18.1 of the SAA Memorandum of Incorporation. This role was instead fulfilled by the SAA Board of Directors. The current interim board was appointed post year end and, while not having oversight during the year under review, oversaw the completion of the audit.

## ROLES AND RESPONSIBILITIES

ARC's roles and responsibilities include its statutory duties as per the relevant provisions of the PFMA, Companies Act, and the responsibilities assigned to it by the Board. It has adopted formal Terms of Reference approved by the Board, which are reviewed annually by the Committee and the Board.

The Committee conducted its affairs in compliance with these Terms of Reference and will continue to discharge its responsibilities contained therein. The Terms of Reference are available on request from the Company Secretary, whose contact details are provided on page 6 of this annual report.

## STATUTORY DUTIES

The following are statutory duties of ARC:

### External auditor

- To ensure that the external auditor, the Auditor-General of South Africa ("AGSA"), is independent of the SAA Group as set out in PFMA and the Companies Act. This shall include consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board of Auditors.
- Requisite assurance will always be sought and provided by the external auditor that internal governance processes within AGSA support and demonstrate their claim to independence.

On behalf of the Board, in consultation with executive management, engage and agree the engagement letter, terms, audit plan and budgeted audit fees for each financial year.

The company will, as a first option, consider the re-appointment of the current external auditors at every AGM in line with the legislative requirements.

### Internal Financial controls

- An assessment of the effectiveness of the group's system of internal controls, which includes internal financial controls, is conducted by internal audit during each financial year.
- The committee has observed that the overall control environment, including internal financial controls, has not improved during the year under review. There are still concerns with the level of internal controls within the operations where evidence of lapses of effective monitoring and enforcement by management was observed.
- Based on the results of the Internal Audit assessment, the information and the explanations provided by management and discussions held on the previous audit findings, the committee has concluded and advised the Board that a significant improvement in the entire control environment, including internal financial controls, is needed.
- Most of the identified control weaknesses indicate that internal financial controls are largely not working as intended regarding the financial statements' assertion of completeness. This is due to high staff attrition during business rescue and insufficient record keeping to support transactions and balances.
- While there is a need for significant improvement to internal financial controls, the committee concluded that there are sufficient remedial measures in place to support these financial statements.
- The effectiveness of the implemented measures to improve the control environment continues to be an area of focus. If the current control environment does not improve, the risk of misstatements and financial losses through fraud and corruption remains real. Where there were actual financial losses due to non-compliance with internal controls, investigations are being conducted and disciplinary action will be taken where necessary.
- The committee noted that the effectiveness of consequence management in the business is substandard and requires significant improvement.
- Where irregular expenditure and fruitless and wasteful expenditure have occurred, this has been mainly a consequence of ineffective legacy tender processes, administrative delays and/or non-compliance with policies. The committee is satisfied that areas of non-compliance are being addressed by management.
- The committee has observed that the implementation of and adherence to the internal control environment reform is expedited. Where there is non-compliance with policies and procedures, management is committed to hold employees accountable and to undertake appropriate consequence management.
- A number of internal financial controls which could be automated are currently manual. Given the number of daily transactions processed by the group, this is an undesirable situation. The committee has recommended that the Head of IT develop and expedite plans to automate processes. Through the internal audit and IT progress reports, the committee continues to monitor the implementation of the action plans closely.

### Financial statements and accounting practices

The Committee reviewed the annual consolidated financial statements of the group and of the company, as well as the accounting policies and practices of the group to satisfy itself that they comply with the relevant provisions of the PFMA and the International Financial Reporting Standards (IFRS). The Committee recommends the consolidated annual financial statements of SAA and its subsidiaries to the Board for approval.

### Expertise and experience of the Group Chief Financial Officer and Finance Function

The company has satisfied itself that the Group Chief Financial Officer has appropriate expertise and experience to fulfil her role but is cognisant of the requirement for succession planning. Furthermore, there is a need to increase capacity and capability as the business continues to scale up its operations.

# DUTIES ASSIGNED BY THE BOARD

The Committee performed the following duties assigned to it by the Board:

## Internal Audit

South African Airways SOC Ltd has an in-house internal audit function. However, due to capacity constraints, a significant volume of audits are outsourced to an approved panel of internal audit service providers under the oversight of the Chief Audit Executive. The Committee has an oversight responsibility for the Internal Audit function and controls across the group's operations. It therefore plays an integral role in the governance of risk.

All forensic investigations are undertaken by the group's forensic department, which has a dotted line reporting structure to the committee. This department will identify and help to eradicate all identified fraudulent activities and elements within the group.

The Group's forensic department regularly reports back to confirm that whistleblowing reports and unethical behaviour are appropriately dealt with.

## Whistleblowing and ethics

The Committee is in the process of reviewing and enhancing the Anonymous reporting (whistleblowing) policy and fraud prevention plan. The Committee has guided the group in implementing mechanisms that will help improve the credibility of fraud reporting using the whistleblower hotline.

## Risk Governance

The Committee has assisted with the oversight of the Group's risk management function, including operations, finance, fraud, information technology and ethics.

## Integrated reporting

Due to the business rescue process, which was closely followed by the search for a strategic equity partner, the group has not issued an Integrated Report. It has however, ensured that all mandatory disclosures are made in the annual report.

## The quality of in-year management and monthly reports/quarterly reports submitted in terms of the PFMA

The Committee noted and satisfied itself with the content and quality of quarterly financial reports prepared and issued by SAA during the year under review, in compliance with the statutory reporting framework.

## Specific focus areas

Whilst a significant focus of the Group will be directed towards building and maintaining an effective operational and financial control environment, sufficient attention will equally be given to these specific focus areas:

- The implementation of the approved company strategy.
- Development, implementation, and reporting of predetermined objectives.
- Information Technology as an enabler of an effective control environment, e.g. automation of operational and financial controls that are currently manual.
- Development and implementation of anti-corruption and fraud prevention mechanisms.
- Compliance with the Supply Chain Management Policy.
- Implementation of an effective combined assurance framework and reporting.
- Alignment of internal audit and risk management efforts.
- Tighter scrutiny of the control environment throughout the group.
- Development and implementation of a contracts management framework.

## Meeting with Internal and External Audit

Following the establishment of ARC, the Committee met with both the external auditors and internal auditors without management being present and similarly met with executive management without the internal or external auditors present.

## Discharge of responsibilities

The Committee considered the going-concern assumption as presented by the group as appropriate in preparing the 2022/23 annual Group financial statements, with the consideration of the factors highlighted on page 2 of the Directors' Report. The Board has therefore approved the annual financial statements on the going concern basis.

On behalf of the Audit and Risk Committee

**Ms FBB Abdul Gany**
*Chairperson: South African Airways SOC Limited – Audit and Risk Committee*

14 November 2024

# Social, Ethics and Governance Committee ("SEGCO") Report FY2022/23

## 1. INTRODUCTION

The Committee was duly established as a statutory committee of the Board in terms of Section 72(4) of the Companies Act no. 71 of 2008 as amended ("Companies Act"), read in conjunction with Regulation 43 of the Companies Regulations 2011. One of the Committee's functions, in terms of Regulation 43(5)(c) the Companies Regulation, is to report to the Shareholders at the Company's Annual General Meeting ("AGM") on the matters within its mandate.

The Committee was established to assist the Board in its oversight role over the social and ethics function, ensuring that the Company is seen to be a responsible corporate citizen. The role of the Committee included having oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relations and also covered its statutory duties, but the intent was to encourage leading practice by having the Committee progress beyond mere compliance to contribute to the creation of value.

Ethics refer to the ethical values applied to decision-making, conduct, and the relationship between the Company, its stakeholders and the broader society. In the context of ethics, integrity is possessing the quality of being honest and having strong moral principles. It encompasses consistency between stated moral and ethical standards and actual conduct.

## 2. PURPOSE

The purpose of the Committee is to assist the Board in complying with the Companies Act provisions pertaining to sustainability, environmental health and safety, stakeholder management, good corporate citizenship, ethical, labour, transformational and compliance matters. On an annual basis, the Committee shall publish a report in the Integrated Report to brief shareholders / stakeholders on the performance of its functions during the year. The Committee Chairman shall attend the AGM and answer questions from shareholders on how the Committee discharged its functions during the year.

## 3. MEMBERSHIP AND CONSTITUTION

The Committee was re-established on 07 July 2021, subsequent to the conclusion of the business rescue process which commenced in December 2019.

The original Members of the Committee were Professor Edna van Harte (Chairperson), Ms Bembe Zwane and Mr Fikile Mhlontlo. After the resignation of Professor van Harte in December 2022, Mr Nic Fadugba was appointed as a Member with Ms Zwane as the Chairperson. The Executive Authority was informed about the decision and duly supported the recommendation of the Board.

The Committee held three (3) meetings in FY2022/23 with Ms Zwane and Mr Fadugba attending all the meetings and Mr Mhlontlo not being to attend two meetings. The release of the report by the Commission of inquiry into Allegations of State Capture ("State Capture Commission") which identified certain flaws in SAA, necessitated the review of the Fraud and Corruption Prevention and the Whistle Blowing policies, spearheaded by this Committee. The Committee considered reports on matters investigated by various law enforcement agencies following the recommendations made by the State Capture Commission.

The matters outlined in the table below were considered at the respective meetings:

| Item | 26 July 2022 | 01 November 2022 | 14 February 2023 |
|---|---|---|---|
| 1. | Consolidated Social and Ethics Report | Consolidated Social and Ethics Report | FY22/23 Q3 Governance Report |
| 2. | Key Labour and Employee Relations Matters | Sustainability and Stakeholder Management | Group Conflict of Interest Policy |
| 3. | B-BBEE Report | B-BBEE Report | SAA Board Charter Review |
| 4. | Customer Relations Management | Employee Relations Report | SEGCO Terms of Reference |
| 5. | Environment and OHS | Global Supply Chain Management Report | SEGCO Work Plan |
| 6. | Global Supply Chain Management Report | Good Corporate Citizenship | |
| 7. | Good Corporate Citizenship | Customer Relations Management | |
| 8. | Fraud, Bribery and Corruption Prevention Report | Public Relations Report | |
| 9. | Regulatory Compliance Report | Environment and Sustainability | |
| 10. | FY22/23 Q1 Governance Report | Fraud, Bribery and Corruption Prevention Report | |
| 11. | Company Secretary Guidelines | FY22/23 Q2 Governance Report | |
| 12. | Board Evaluation Update | FY2023/24 Governance Cycle | |

# 4. RESPONSIBILITIES, FUNCTIONS AND MANDATE

The key responsibilities of the Committee are set out hereunder:

## 4.1 Legislative Duties

**4.1.1** Monitor the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

4.1.1.1 Social and economic development, including the Company's standing in terms of the goals and purposes of:

(a) the following 10 principles set out in the United Nations Global Compact Principles:

- The Company should support and respect the protection of internationally proclaimed human rights;
- The Company should make sure that it is not complicit in human rights abuse;
- The Company upholds the freedom of association and the effective recognition of the right to collective bargaining;
- The Company commits to the elimination of all forms of forced and compulsory labour;
- The Company is not engaged in any form of child labour;
- The Company is committed to the elimination of discrimination in respect of employment and occupation;
- The Company supports a precautionary approach to environmental challenges;
- The Company undertakes initiatives to promote greater environmental responsibility;
- The Company encourages the development and effusion of environmentally friendly technologies;
- The Company works against corruption in all its forms, including extortion and bribery.

(b) the OECD recommendations regarding corruption;

(c) the Employment Equity Act; and

(d) the Broad-Based Black Economic Empowerment Act.

4.1.1.2 Good corporate citizenship, including the Company's:

(a) promotion of equality, prevention of unfair discrimination, and reduction of corruption;

(b) contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and

(c) record of sponsorship, donations and charitable giving.

4.1.1.3 Consumer relationships, including the Company's advertising, public relations and compliance with consumer protection laws.

## 4.2 Sustainability & Stakeholder Management

**4.2.1** Considering regular reports prior to meetings from the Company's Corporate Sustainability function and the Stakeholder Management (including customers) function to gain assurance on the progress toward the achievement of the Board approved objectives;

**4.2.2** Assessing and providing guidance on the embedding of key sustainability issues in the Company's strategies and operations;

**4.2.3** Overseeing the Company's customer / investor relations agenda and progress against objectives as envisaged in the existing consumer protection legislation and the future regulatory framework;

**4.2.4** Reviewing and assessing the effectiveness of systems to manage sustainability and stakeholder relations risks and provide recommendations to other Board Committees;

**4.2.5** Reviewing and to the extent possible, providing the Board with assurance on the integrity of the Group's annual sustainability report and providing the Board with recommendations on specific actions that the Board should consider to maintain the integrity of the sustainability report; and

**4.2.6** Considering the performance of the Company's Corporate Sustainability function and the Stakeholder Management function.

## 4.3 Good Corporate Citizenship Management

**4.3.1** Reviewing and recommending the Company's overall Corporate Citizenship strategy and associated policies to the Board for approval;

**4.3.2** Ensuring that the Company's Corporate Citizenship strategy and associated policies take appropriate account of external developments and expectations;

**4.3.3** Recommending to the Board any changes to the Company's overall Corporate Citizenship strategy, values and associated policies;

**4.3.4** Reviewing Corporate Citizenship key performance indicators and progress against Citizenship objectives twice-yearly;

**4.3.5** Signing off relevant policy position statements;

**4.3.6** Annually reviewing and approving the Community Investment Strategy, key performance indicators and objectives and agreeing on the annual Community Investment budget and periodically review performance against such; and

**4.3.7** Periodically reviewing all Community Investment Strategy sponsorships, donations and charitable contributions.

# Social, Ethics and Governance Committee ("SEGCO") Report FY2022/23 (continued)

## 4.4 Ethics Management

**4.4.1** Considering and evaluating regular reports prior to meetings on the Company's ethical risk issues / exposures;

**4.4.2** Ensuring that, where business decisions may impact the Company's values and ethics from a reputational perspective, the potential impact has been considered fully;

**4.4.3** Ensuring annual review of the Company's ethical policy and processes and consider the effectiveness thereof; and

**4.4.4** Reviewing regular reports prior to meetings from management that provide assurance on the effectiveness of the Company's ethics processes.

## 4.5 Labour and Employment Matters

**4.5.1** To monitor the Company's standing in terms of the International Labour Organization Protocol on decent work and working conditions and the Company's employment relationships, and its contribution toward the educational development, of its employees.

**4.5.2** At least annually, the Committee shall review reports from its subsidiary or associated companies on strategic people issues.

**4.5.3** Assessing progress in transformation, including equality and diversity: In doing so, the Committee shall review and provide strategic input on the transformation status reports submitted to it by management, and give due regard to all elements of the applicable scorecard, including:

4.5.3.1 Employment Equity;

4.5.3.2 Skills Development; and

4.5.3.3 Learnerships.

**4.5.4** Considering major employee relations issues.

## 4.6 Broad-Based Black Economic Empowerment ("BBBEE") Management

**4.6.1** Periodically receiving reports from its subsidiary and associated companies on the Company's BBBEE scorecard and reviewing and monitoring progress towards achieving the Company's BBBEE scorecard objectives against the Codes of Good Practice.

**4.6.2** Providing the Board with recommendations on the Company's BBBEE status.

## 4.7 Environmental, Health and Safety

**4.7.1** Reviewing, monitoring and making recommendations to the Board in respect of the environmental, health and safety policies and activities of the Company;

**4.7.2** Reviewing, formulating and revising with management the Company's goals, policies and programmes relative to environmental, health and safety issues;

**4.7.3** Making inquiries and recommendations to the Board in respect of the Company's compliance with applicable environmental and occupational health and safety laws, regulations, and internal operating procedures and standards;

**4.7.4** Reviewing with management the Company's risk assessment, risk exposure and risk management in respect of environmental, health and safety matters;

**4.7.5** Reviewing with management the Company's record of performance on environmental, health and safety matters, along with any proposed actions based on such record;

**4.7.6** Informing the Audit Committee in respect of significant changes in financial risk or potential disclosure issues related to environmental, health and safety matters;

**4.7.7** Performing such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee shall deem appropriate; and

**4.7.8** Reviewing and reassessing the adequacy of these Terms of Reference on a regular basis prior to meetings and submitting any proposed revisions to the Board for consideration and approval.

## 4.8 Nominations and Governance

The duties and responsibilities of the Committee in relation to nomination matters include:

**4.8.1** Assisting the Board to ensure that its governance structures are adequately resourced for it (the Board) to execute its duties effectively.

**4.8.2** Nominating and recommending directors for appointment to the Subsidiary Boards, taking into account the skills required by the Subsidiary Boards.

**4.8.3** Developing a plan for identifying, assessing and enhancing director competencies.

**4.8.4** Reviewing the time required from a Non-Executive Director and whether directors of the Board are meeting this requirement.

**4.8.5** Evaluating the performance of the Board Members in the various governance structures of the Board that they serve at.

**4.8.6** Ensuring that there is an appropriate induction programme in place for new directors and members of senior management at the respective governance structures and reviewing its effectiveness.

**4.8.7** Accordingly equipping the Members of the governance structures of the Board to ensure that they perform optimally.

## 5. CONCLUSION

Based on the above update, the Committee is satisfied that the Committee fulfilled its mandate in accordance with the requirements of the Companies Act during the financial year under review. Due to Board changes in April 2023, all members of the Committee were retired from the organisation prior to the finalisation of the FY2023 AFS. Consequently, this report is submitted by the current Committee for purposes of compliance.

On behalf of the current Social, Ethics and Nominations Committee ("SENCO") established on 11 May 2023 and confirmed at the AGM held on 10 November 2023.

**Ms F Sithebe**
*Chairperson: SENCO*

Date: 14 November 2024

# Statement by the Company Secretary

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

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

**Ruth Kibuuka**
*Company Secretary*

14 November 2024

**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 20 to 84, which comprise the consolidated and separate statement of financial position as at 31 March 2023, 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 material accounting policy information.
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 OF OPINION

#### Preparation of consolidated financial statements

3. I was unable to obtain sufficient appropriate audit evidence regarding the consolidation of three SAA subsidiaries: Mango, 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 auditing. In addition, I was unable to obtain sufficient appropriate audit evidence relating to the elimination of intercompany transactions and reclassification associated with the three subsidiaries, as mentioned. I was unable to confirm the consolidation by alternative means. Consequently, I was unable to determine whether any adjustments were 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.

#### Airline revenue

5. South African Airways Technical SOC Ltd. (SAAT), a subsidiary of SAA, did not recognise, measure, present and disclose airline revenue in accordance with the requirements of IFRS 15, *Revenue from contracts with customers*. IFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The public entity was party to a number of service contracts that were not recognised, measured, presented and disclosed in accordance with IFRS 15. This was due to the public entity not having adequate controls and systems in place for financial reporting. 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 R5 418 million (2022: R1 594 million) in note 5 to the consolidated financial statements.
6. 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 R5 418 million (2022: R1 594 million) in note 5 to the consolidated financial statements.

#### Other income

7. During 2022, 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. My audit opinion on the financial statements for the period ended 31 March 2022 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 other income. Consequently, I was unable to determine whether any further adjustments were necessary to the other income stated at R418 million and R311 million in note 6 to the corresponding figures of the consolidated and separate financial statements, respectively.

#### Aircraft lease costs

8. During 2022, the group 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 in accordance with IFRS 16. I was unable to determine the value and impact of the misstatement on aircraft lease costs as disclosed in note 7 to the corresponding figures of the consolidated and separate financial statements, as it was impracticable to do so. My audit opinion on the financial statements for the period ended 31 March 2022 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 aircraft lease costs. Consequently, I was unable to determine the impact on the assets, liabilities, finance costs, depreciation, and commitments as it was impracticable to do so to the corresponding figures.

#### Electronic data costs

9. 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 R88 million (2022: R66 million) in the consolidated and separate financial statements. There was a consequential impact on the loss for the year, accumulated loss and trade and other receivables.
10. During 2022, 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. My audit opinion on the financial statements for the period ended 31 March 2022 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 electronic data costs. Consequently, I was unable to determine whether any adjustment was necessary to electronic data costs stated at R327 million and R305 million to the corresponding figures of the consolidated and separate financial statements, respectively.

**Employee benefits expenses**

11. During 2022, I was unable to obtain sufficient appropriate audit evidence for employee benefit expenses due to the status of record keeping. I was unable to confirm employee benefits expenses by alternative means. In addition, I was unable to obtain sufficient appropriate audit evidence with respect to the verification of employee information. My audit opinion on the financial statements for the period ended 31 March 2022 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 employee benefits expenses. Consequently, I was unable to determine whether any adjustments were necessary to the employee benefits expenses stated at R2 526 million and R802 million in note 24 to the corresponding figures of the consolidated and separate financial statements, respectively.
12. At SAAT, I was unable to obtain sufficient appropriate audit evidence to confirm if the employee benefits expenses have been properly accounted for as the public entity did not have adequate controls and systems in place to reconcile accounting records. I was unable to confirm employee cost by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the employee costs stated at R1 097 million (2022: R2 526 million) in note 24 to the consolidated financial statements.

**Maintenance costs**

13. 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 R135 million (2022: R323 million) to the consolidated financial statements and R234 million to the corresponding figures of the separate financial statements.
14. During 2022, 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 to the corresponding figures of the separate financial statements. Additionally, there was an impact on the corresponding figures of the loss for the year and the accumulated loss. My audit opinion on the financial statements for the period ended 31 March 2022 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 maintenance costs.

**Fair value and translation movements**

15. 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 R184 million (2022: R17 million) and R175 million (2022: R85 million) in note 36 to the consolidated and separate financial statements, respectively.

**Other operating costs**

16. The public entity did not recognise other operating costs in accordance with IAS 1, *Presentation of financial statements and conceptual framework*. Catering, accommodation and refreshments were incorrectly recognised as other operating costs. Other operating costs were overstated, and catering, accommodation and refreshment were understated by an estimated amount of R250 million in the consolidated and separate financial statements.
17. In addition, 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 R1 524 million (2022: R951 million) and R1 257 million (2022: R333 million) in the consolidated and separate financial statements, respectively.
18. Furthermore, during 2022, 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 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. My audit opinion on the financial statements for the period ended 31 March 2022 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 other operating costs. Consequently, I was unable to determine the impact on the assets, liabilities, finance costs, depreciation and commitments, as it was impracticable to do so.

**Finance costs**

19. During 2022, I was unable to obtain sufficient appropriate audit evidence for finance costs due to the status of record keeping. I was unable to confirm finance costs by alternative means. My audit opinion on the financial statements for the period ended 31 March 2022 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 finance costs. Consequently, I was unable to determine whether any further adjustments were necessary to finance costs stated at R213 million and R184 million in note 16 to the corresponding figures of consolidated and separate financial statements, respectively.

**Property, aircraft and equipment**

20. I was unable to obtain sufficient appropriate audit evidence for property, aircraft and equipment as the financial statements did not agree with the underlying accounting records due to a lack of adequate internal control systems and processes to reconcile the underlying accounting records with the consolidated and separate financial statements. Consequently, I was unable to determine whether any further adjustments were necessary to property, aircraft and equipment stated as R6 232 million (2022: R2 497 million) and R3 745 million (2022: R1 285 million), as disclosed in note 11 to the consolidated and separate financial statements, respectively.

21. In addition, the SAA Group did not adequately review the useful lives and residual values and did not assess the property, aircraft and equipment for impairment in accordance with International Accounting Standards (IAS) 16, *Property, Plant, and Equipment* and IAS 36, *Impairment of assets* due to inadequate internal control systems for asset management. Furthermore, some of the property, aircraft and equipment were not recorded in the financial statements, while others were recorded but their existence could not be verified due to inadequate internal control systems for asset management.

22. 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 R6 232 million (2022: R2 497 million) and R3 745 million (2022: R1 285 million) as disclosed in note 11 to the consolidated and separate financial statements, respectively.
    - Depreciation stated as R176 million (2022: R211 million) and R95 million (2022: R126 million) as disclosed in note 8 to the consolidated and separate financial statements, respectively.
    - Impairments stated as R95 million (2022: R124 million) and R462 million (2022: R486 million) as disclosed in note 10 to the consolidated and separate financial statements, respectively.

**Intangible assets**

23. 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. Consequently, I was unable to determine whether any further adjustments were necessary to intangible assets stated as R121 million (2022: R126 million) and R33 million (2022: R33 million) as disclosed in note 33 to the consolidated and separate financial statements, respectively.

24. In addition, 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* due to inadequate internal control systems for asset management. Furthermore, some of the intangible assets were not recorded in the financial statements, while some were recorded but their existence could not be verified due to inadequate internal control systems for asset management. 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 R121 million (2022: R126 million) and R33 million (2022: R33 million) as disclosed in note 33 to the consolidated and separate financial statements, respectively.
    - Amortisation stated as R5 million (2022: R11 million) and R0 million (2022: R5 million) as disclosed in note 8 to the consolidated and separate financial statements, respectively.
    - Impairments stated as R95 million (2022: R124 million) and R462 million (2022: R486 million) as disclosed in note 10 to the consolidated and separate financial statements, respectively.

**Investment in subsidiaries**

25. During 2022, SAA did not appropriately calculate the impairment of investment in subsidiaries in accordance with IAS 36, *Impairment of assets* as the discount rate applied 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. My audit opinion on the financial statements for the period ended 31 March 2022 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 investment in subsidiaries. As a result, I was not able to determine the impact that any adjustments would have on the impairment of investments in subsidiaries amount stated at R5 027 million in note 39 to the corresponding figures of the separate financial statements.

**Investments**

26. I was unable to obtain sufficient appropriate audit evidence for investments, as the underlying accounting records relating to investment in share trust were not presented for auditing. I was unable to confirm these investments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the gross investment in share trust and impairment stated as R157 million (2022: R157 million) in note 41 of the separate financial statements.

**Inventories**

27. 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 R609 million (2022: R547 million) and R42 million (2022: R36 million) in note 34 to the consolidated and separate financial statements, respectively.

**Trade and other receivables**

28. 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* due to inadequate control systems to monitor trade and other receivables. I was not able to quantify the impact of the misstatement, as it was impracticable to do so.

29. 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 R1 278 million (2022: R605 million) and R1 250 million (2022: R537 million) in note 18 to the consolidated and separate financial statements, respectively.

**Cash and cash equivalents**

30. I was unable to obtain sufficient appropriate audit evidence that cash and cash equivalents had been properly accounted for due to the status of record keeping. I was unable to confirm these foreign bank accounts by alternative means. Consequently, I was unable to verify the restricted cash disclosed in note 19 to the consolidated and separate financial statements.

31. In addition, I was unable to confirm whether bank accounts are completely recorded due to an inadequate internal control system and processes to reconcile the underlying accounting records. I was unable to confirm completeness of the bank accounts by alternative means.

32. Consequently, I was unable to determine whether any further adjustments were necessary to the cash and cash equivalent stated at R1 663 million (2022: R2 043 million) and R1 365 million (2022: R1 744 million) in note 19 to the consolidated and separate financial statements, respectively.

**Long-term loans**

33. During 2022, 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. My audit opinion on the financial statements for the period ended 31 March 2022 was modified accordingly. My opinion on the current year's financial statements is also modified due to the possible effect of this matter on the comparability of long-term loans. Consequently, I was unable to determine whether any further adjustments were necessary to the long-term loan stated at R1 534 million and R1 534 million to the corresponding figures of the consolidated and separate financial statements, respectively.

**Provision**

34. The public entity did not recognise provisions for lease liabilities relating to maintenance of aircrafts under lease as required by IAS 37, *Provisions, contingent liabilities and contingent assets*. As at year-end, the public entity had four aircraft lease agreements, which had maintenance and return conditions. Provisions and maintenance costs were understated. I was unable to determine the value of the misstatement on provisions as stated in note 13 to the consolidated and separate financial statements, as it was impracticable to do so. There was a consequential impact on maintenance costs.

35. 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 R104 million (2022: R84 million) and R104 million (2022: R84 million) in note 13 to the consolidated and separate financial statements, respectively.

**Other long-term liabilities**

36. During 2022, I was unable to obtain sufficient appropriate audit evidence that other long-term liabilities had been properly accounted for due to the poor status of record keeping. I was unable to confirm other long-term liabilities by alternative means. My audit opinion on the financial statements for the period ended 31 March 2022 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 other long-term liabilities. Consequently, I was unable to determine whether any further adjustments were necessary to other long-term liabilities stated at R1 140 million and R1 077 million in note 27 to the corresponding figures of the consolidated and separate financial statements, respectively.

**Trade and other payables**

37. 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 R4 678 million (2022: R3 789 million) and R2 935 million (2022: R1 813 million) in note 20 to the consolidated and separate financial statements, respectively.

**Taxation and deferred tax asset**

38. During 2022, 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. My audit opinion on the financial statements for the period ended 31 March 2022 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 investment in subsidiaries. Consequently, I was unable to determine whether any adjustments were necessary to taxation and deferred tax assets as disclosed in notes 30 and 31 to the corresponding figures of the consolidated and separate financial statements, respectively.

**Directors' emoluments for SAA subsidiaries**

39. I was unable to obtain sufficient appropriate audit evidence for directors' emoluments for SAA Technical 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.

**Irregular expenditure**

40. Section 55(2)(b)(i) of the Public Finance Management Act of South Africa 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 R223 million (2022: R39 178 million) and R157 million (2022: R19 751 million) in note 38 to the consolidated and separate financial statements, respectively.

**Related parties**

41. 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 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 44 in the consolidated and separate financial statements.

### Contingent liabilities and unquantifiable exposure

42. I was unable to obtain sufficient appropriate audit evidence to determine whether the public entity fully disclosed the contingent liabilities due to non-submission of litigation files as a result of poor record keeping. I could not confirm this by alternative means. Consequently, I was unable to determine whether any adjustments were necessary for contingent liabilities in note 35 in the consolidated and separate financial statements.

### Restatements

43. The public entity did not comply with the disclosure requirements of IAS 8, *Accounting policies, changes in accounting estimates and errors*, which require disclosing the nature, reason and effect of the restatement. The public entity restated the following financial statement line items: fair value and translation movements, interest and dividend income, aircraft and other deposits, trade and other receivables, accumulated loss, and trade and other payables. In addition, the public entity did not present the third statement of financial position, which limits our ability to assess the impact of the restatement on the opening balances of assets, liabilities and equity. IAS 1, *Presentation of financial statements*, requires that when there is a restatement, a third balance sheet as of 1 April 2020 must be presented. I was unable to determine the full extent of the misstatements, as it was impracticable to do so.

## MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

44. I draw attention to the matters below. My opinion is not modified in respect of these matters.

45. I draw attention to note 46 to the financial statements, which indicates that the SAA exited business rescue on 30 April 2021. The disclosure outlines the plans of the entity, including the route expansion plan, increase in fleet, cash and funding plan. As stated in note 46, these events or conditions, along with the other matters as set forth in note 46, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.

## OTHER MATTERS

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

### Business rescue proceeding

47. SAA company was placed under business rescue on 5 December 2019 in terms of section 129(1) of the Companies Act 71 of 2008 (Companies Act). The business rescue plan was adopted on 14 July 2020 by affected persons as required by 152(2) of the Companies Act. The substantial implementation of the plan was concluded on 30 April 2021 by joint business rescue practitioners in terms of section 152(8) of the Companies Act.

### Unaudited irregular expenditure and fruitless and wasteful expenditure

48. On 23 December 2022, the National Treasury issued Instruction Note 4 of 2022-23, which came into effect on 3 January 2023, in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA. The instruction note deals with the PFMA compliance and reporting framework and addresses, among other things, the disclosure of unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure. Irregular expenditure and fruitless and wasteful expenditure incurred in prior financial years and not yet addressed no longer needed to be disclosed in either the annual report or the disclosure notes to the annual financial statements. Only the current year and prior-year figures are disclosed in note 38 to the financial statements of the SAA. The current year and prior-year figures for irregular expenditure were modified as per basis for disclaimer of opinion section of this auditor's report. Movements in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination, and under investigation) is now included as part of the other information in the annual report of the SAA.

49. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

## RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

50. 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.

51. 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.

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

52. 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.

53. 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

54. 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.

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

## REPORT ON COMPLIANCE WITH LEGISLATION

**INTRODUCTION OF SCOPE**

56. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

57. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

58. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

59. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

**Annual financial statements and annual report**

60. 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.

61. 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 of current assets and revenue identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

**Strategic planning and performance management**

62. An annual shareholder's compact, including the mandated key performance measures, was not concluded as required by treasury regulation 29.2.1.

**SOE oversight and governance**

63. 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**

64. I was unable to obtain sufficient appropriate audit evidence that all contracts and quotations were awarded in accordance with the legislative requirements as the public entity did not maintain adequate and complete procurement and contract registers.

**Consequence management**

65. 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 because investigations into irregular expenditure were not performed.

66. 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 because investigations into fruitless and wasteful expenditure were not performed.

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

**Expenditure management**

68. 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 to the financial statements does not reflect the full extent of the irregular expenditure incurred.

69. 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 to the financial statements does not reflect the full extent of the fruitless and wasteful expenditure incurred.

**Revenue management**

70. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

## INTERNAL CONTROL DEFICIENCIES

71. 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.

72. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report, and the findings on compliance with legislation included in this report.

73. We have identified significant internal control deficiencies concerning the oversight and control environment of subsidiary financial reporting processes. Specifically, inadequate controls were noted in the preparation and review of financial information within subsidiaries. Consequently, two subsidiaries received disclaimed audit outcomes, while three subsidiaries failed to submit financial statements altogether. These deficiencies have introduced uncertainties regarding the accuracy and reliability of consolidated financial figures. Additionally, it was observed that the roles of group executive management do not encompass the necessary oversight of subsidiaries.

74. 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 auditing. 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.

75. 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 several errors in the reconciliations.

76. 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 and in most cases, information was submitted to auditors after agreed timeliness.

77. The internal audit unit was not adequately capacitated unit. Due to the minimal work that was performed by internal audit, the internal audit was not effective as an assurance provider. The internal audit unit is not adequately capacitated with staff with the appropriate mix of skills and competencies to identify all the internal control weaknesses of the company and provide recommendations in complex areas such as assets, performance information and revenue. A panel of services providers were appointed before year-end, this resulted in little work being performed by the internal audit unit.

78. The audit committee was only established after year-end, this resulted in the committee not exercising their oversight responsibilities with regard to effectively monitoring compliance with placed internal controls and relevant legislations as per their delegated duties.

79. The accounting authority did not adequately establish and communicate policies and procedures to enable and support the understanding and execution of the internal control objectives, processes and responsibilities.

80. The accounting authority and management did not have adequate procedures and processes to ensure that the shareholder's compact is concluded and agreed upon with in consultation with the executive authority as a result annual performance report was not prepared. The entity did not supervise compliance and internal controls adequately, resulting in non-compliance with supply chain management laws and regulations and the occurrence of irregular expenditure. Furthermore, management did not maintain accurate and complete SCM registers for record-keeping purposes. This resulted in management reporting on insufficient information.

81. The entity did not ensure that adequate processes and procedures to effectively identify, investigate and monitor irregular, fruitless and wasteful expenditure, leading to uncertainties regarding how to address the non-compliance exhibited by the different operational divisions within the organisation.

82. After 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.

83. The accounting authority did not implement effective human resource management to ensure that sufficiently skilled resources were in place and that roles and responsibilities were defined and allocated accordingly.

84. The accounting authority did not exercise adequate oversight responsibility regarding good governance and did not implement appropriate processes to fill vacancies in key positions timeously.

## OTHER REPORTS

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

86. 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 turnaround 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.

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

*Auditor General*

**Pretoria**
15 November 2024

AUDITOR-GENERAL SOUTH AFRICA
*Auditing to build public confidence*

# Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

### AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

#### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information and on the public entity's compliance with selected requirements in key legislation.

#### Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

#### Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|---|
| Public finance management Act 1 of 1999 (PFMA) | PFMA sec 50(3)(b)<br>PFMA sec 50(3)(a)<br>PFMA 51(1)(a)(ii)<br>PFMA 55(1)(c)(i)<br>PFMA 55(1)(b)<br>PFMA 55(1)(a)<br>PFMA 51(1)(b)(i)<br>PFMA 51(1)(a)(iii)<br>PFMA 51(1)(b)(ii)<br>PFMA 53(4)<br>PFMA 51(1)(b)(ii)<br>PFMA 57(b)<br>PFMA 54(2)(c)<br>PFMA 54(2)(c)<br>PFMA 54(2)(d)<br>PFMA 54(2)(d)<br>PFMA 57(b)<br>PFMA 66(3)(a)<br>PFMA 52(b)<br>PFMA 51(1)(e)(iii) |
| Treasury regulations Issued in terms of section 76 of PFMA | TR 16A9.1(b)(ii)<br>TR 16A9.1(e)<br>TR 16A9.1(f)<br>TR 29.1.1<br>TR 29.1.1(a)<br>TR 29.1.1(c)<br>TR 29.2.1<br>TR 29.2.2<br>TR 31.1.2(c)<br>TR 31.2.5<br>TR 31.2.7(a)<br>TR 29.3.1 – Applicable to Schedule 2, 3B and 3D public entities<br>TR 30.2.1 – Applicable to Schedule 3A and 3C public entities<br>TR 33.1.1<br>TR 33.1.3 |
| National Treasury Instruction Notes | National Treasury Instruction Note 3 of 2021/22 par 4.1 and 4.2<br>National Treasury Instruction Note 3 of 2021/22 par. 4.3 and 4.4.<br>National Treasury Instruction Note 3 of 2021/22 par. 4.3 and 4.4 (d)<br>National Treasury Instruction Note 4 of 2015/16 par. 3.4<br>Treasury Instruction note 11 of 2020/21 par. 3.1<br>Treasury Instruction note 11 of 2020/21 par. 3.4 (b) and 3.9<br>NT Instruction No 5 of 2020/21 par 5.3<br>Second amendment NT Instruction No 5 of 2020/21 par 1 and<br>Erratum NT Instruction note No 5 of 2020/21 par 2 |

| Legislation | Sections or regulations |
|---|---|
| | NT Instruction No 5 of 2020/21 par 4.8<br>NT Instruction No 5 of 2020/21 par 4.8<br>NT Instruction No 5 of 2020/21 par 4.9 |
| Prevention and combating of corrupt activities Act 12 of 2004 | PRECCA 34(1) |
| Companies Act 71 of 2008 | Companies Act 30(3)(b)(i)<br>Companies Act 33(1)(a)<br>Companies Regulation 30(2)<br>Companies Act 46(1)(a)<br>Companies Act 46(1)(b)<br>Companies Act 46(1)(c)<br>Companies Act 112(2)(a)<br>Companies Act 45(2)<br>Companies Act 45(3)(a)(ii)<br>Companies Act 45(3)(b)(i)<br>Companies Act 45(3)(b)(ii)<br>Companies Act 45(4)<br>Companies Act 45(2)<br>Companies Act 45(3)(a)(ii)<br>Companies Act 45(3)(b)(i)<br>Companies Act 45(3)(b)(ii)<br>Companies Act 45(4)<br>Companies Act 45(2)<br>Companies Act 45(3)(a)(ii)<br>Companies Act 45(3)(b)(i)<br>Companies Act 45(3)(b)(ii)<br>Companies Act 45(4)<br>Companies Act 45(2)<br>Companies Act 45(3)(a)(ii)<br>Companies Act 45(3)(b)(i)<br>Companies Act 45(3)(b)(ii)<br>Companies Act 45(4)<br>Companies Act 129(7)<br>Companies Act Regulation 43(2)(a)<br>Companies Act 72(4)(a)<br>Companies Act 75(6)<br>Companies Act 86(1)<br>Companies Act 86(4)<br>Companies Act 88(2)(d) |
| Preferential Procurement Policy Framework Act 5 of 2000 and regulations and instructions issued in terms of the act | PPPFA 2(1)(a):<br>1) PPPFA (1)<br>2) PPPFA 2(1) (a)<br>1). PPPFA 2(1)(f)<br>2). 2017 Preferential Procurement reg. 6(8), 7(8), 10(1) & (2) & 11(1)<br>3). 2022 Preferential Procurement regulation 4(4) and 5(4).<br>2017 Preferential Procurement reg 5(1) & 5(3)<br>2017 Preferential Procurement reg. 2017 5(6)<br>2017 Preferential Procurement reg. 5(7)<br>2017 Preferential Procurement reg. 4(1) & 4(2)<br>2017 Preferential Procurement reg. 9(1)<br>1). 2011 Preferential Procurement reg. 9(1)<br>2). 2017 Preferential Procurement reg. 8(2)<br>2017 Preferential Procurement reg 8(5) |
| Income Tax Act, 1962 58 of 1962 | |
| Value-Added Tax Act 89 of 1991 | |
| Tax Administration Act 2011 28 of 2011 | |

# Group and Company statement of profit or loss and other comprehensive income
for the year ended 31 March 2023

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| **R MILLION** | **Notes** | **2023** | **2022** | **2023** | **2022** |
| **Total income** | | **5 698** | 2 012 | **5 166** | 1 272 |
| Airline revenue | 5 | **5 418** | 1 594 | **4 931** | 961 |
| Other income | 6 | **280** | 418 | **235** | 311 |
| **Operating costs** | | **5 257** | 5 217 | **4 889** | 2 280 |
| Aircraft lease costs | 7 | **421** | 470 | **421** | 126 |
| Catering, accommodation and refreshments | | **58** | 25 | **177** | 39 |
| Commissions and network charges | | **321** | 164 | **318** | 52 |
| Electronic data costs | | **306** | 327 | **304** | 305 |
| Fuel and other energy costs | | **1 360** | 369 | **1 308** | 252 |
| Employee benefit expenses | 24 | **1 097** | 2 526 | **572** | 802 |
| Maintenance costs | | **135** | 323 | **488** | 234 |
| Navigation, landing and parking fees | | **219** | 79 | **219** | 52 |
| Fair value and translation movements | 36 | **(184)** | (17) | **(175)** | 85 |
| Other operating costs | | **1 524** | 951 | **1 257** | 333 |
| **Operating profit/(loss) before interest, tax, depreciation and amortisation** | 7 | **441** | (3 205) | **277** | (1 008) |
| Depreciation and amortisation | 8 | **(181)** | (222) | **(95)** | (131) |
| Impairments | 10 | **(95)** | (124) | **(462)** | (486) |
| Net gain on disposal of property, aircraft and equipment | 9 | **60** | 2 | **45** | – |
| **Operating profit/(loss)** | | **225** | (3 549) | **(235)** | (1 625) |
| Finance costs | 16 | **(42)** | (213) | **(52)** | (184) |
| Interest and dividend income | 17 | **69** | 80 | **56** | 78 |
| **Profit/(loss) before taxation** | | **252** | (3 682) | **(231)** | (1 731) |
| Taxation | 30 | **–** | – | **–** | – |
| **Profit/(loss) for the year** | | **252** | (3 682) | **(231)** | (1 731) |
| **Other comprehensive income:** | | | | | |
| Remeasurements of defined benefit plans* | | **102** | 17 | **102** | 17 |
| Gains on property revaluations** | | **3 784** | – | **2 424** | – |
| **Other comprehensive income for the year net of taxation** | 37 | **3 886** | 17 | **2 526** | 17 |
| **Total comprehensive profit/(loss)** | | **4 138** | (3 665) | **2 295** | (1 714) |
| **Total comprehensive profit/(loss) attributable to:** | | | | | |
| Owners of the parent | | **4 138** | (3 665) | **2 295** | (1 714) |
| | | **4 138** | (3 665) | **2 295** | (1 714) |

* *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 2023

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| **R MILLION** | **Notes** | **2023** | **2022** | **2023** | **2022** |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, aircraft and equipment | 11 | **6 232** | 2 497 | **3 745** | 1 285 |
| Intangible assets | 33 | **121** | 126 | **33** | 33 |
| Investments in subsidiaries | 39 | **–** | – | **1 719** | 1 881 |
| Deferred tax asset | 31 | **43** | 50 | **–** | – |
| Amounts receivable from subsidiaries | 40 | **–** | – | **–** | 94 |
| Aircraft and other deposits | 12 | **1 449** | 2 161 | **1 223** | 1 935 |
| Retirement benefit asset | 25 | **6** | 6 | **6** | 6 |
| | | **7 851** | 4 840 | **6 726** | 5 234 |
| **Current assets** | | | | | |
| Inventories | 34 | **609** | 547 | **42** | 36 |
| Trade and other receivables | 18 | **1 278** | 605 | **1 250** | 537 |
| Aircraft and other deposits | 12 | **37** | – | **29** | – |
| Investments | 41 | **–** | – | **–** | – |
| Cash and cash equivalents | 19 | **1 663** | 2 043 | **1 365** | 1 744 |
| | | **3 587** | 3 195 | **2 686** | 2 317 |
| Non-current assets classified as held-for-sale and assets of disposal groups | 11 | **71** | 71 | **–** | – |
| **Total assets** | | **11 509** | 8 106 | **9 412** | 7 551 |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| **Equity attributable to equity holders of parent** | | | | | |
| Share capital | 42 | **60 028** | 57 726 | **60 262** | 57 960 |
| Shareholder contribution | 43 | **–** | 719 | **–** | 719 |
| Reserves | | **4 756** | 870 | **2 896** | 370 |
| Accumulated Loss | | **(60 050)** | (60 295) | **(58 529)** | (58 298) |
| | | **4 734** | (980) | **4 629** | 751 |
| **Non-current liabilities** | | | | | |
| Long-term loans | | **–** | 1 | **–** | – |
| Retirement benefit obligation | 25 | **49** | 125 | **49** | 125 |
| Deferred revenue on ticket sales | 14 | **110** | 457 | **110** | 457 |
| Lease liabilities | 26 | **103** | – | **103** | – |
| Other long-term liabilities | 27 | **–** | 1 140 | **–** | 1 077 |
| | | **262** | 1 723 | **262** | 1 659 |
| **Current liabilities** | | | | | |
| Current tax payable | 32 | **4** | 4 | **–** | – |
| Trade and other payables | 20 | **4 678** | 3 789 | **2 934** | 1 813 |
| Provisions | 13 | **104** | 84 | **104** | 84 |
| Current portion of long-term loans | | **–** | 1 534 | **–** | 1 534 |
| Deferred revenue on ticket sales | 14 | **1 608** | 1 952 | **1 427** | 1 710 |
| Lease liabilities | 26 | **56** | – | **56** | – |
| Other liabilities | 27 | **63** | – | **–** | – |
| | | **6 513** | 7 363 | **4 521** | 5 141 |
| **Total liabilities** | | **6 775** | 9 086 | **4 783** | 6 800 |
| **Total equity and liabilities** | | **11 509** | 8 106 | **9 412** | 7 551 |

# Group and Company statement of changes in equity

for the year ended 31 March 2023

| R MILLION | Share capital | Shareholder contribution | Other reserves* | Revaluation reserve | Total share capital and reserves | Accumulated loss | Total equity |
|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | |
| **Balance at 1 April 2021** | 33 392 | 18 275 | (129) | 982 | 52 520 | (56 613) | (4 093) |
| Total comprehensive income for the year | – | – | 17 | – | 17 | (3 682) | (3 665) |
| Contribution made by shareholder during the year | – | 6 778 | – | – | 6 778 | – | 6 778 |
| Shares issued during the year in respected of contributed capital | 24 334 | (24 334) | – | – | – | – | – |
| **Balance at 1 April 2022** | 57 726 | 719 | (112) | 982 | 59 315 | (60 295) | (980) |
| Total comprehensive income for the year | **–** | **–** | **102** | **3 784** | **3 886** | **252** | **4 138** |
| Prior year deferred tax adjustment | **–** | **–** | **–** | **–** | **–** | **(7)** | **(7)** |
| Contribution made by shareholder during the year | **–** | **1 583** | **–** | **–** | **1 583** | **–** | **1 583** |
| Shares issued during the year in respected of contributed capital | **2 302** | **(2 302)** | **–** | **–** | **–** | **–** | **–** |
| **Balance at 31 March 2023** | **60 028** | **–** | **(10)** | **4 766** | **64 784** | **(60 050)** | **4 734** |

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

| R MILLION | Share capital | Shareholder contribution | Other reserves* | Revaluation reserve | Total share capital and reserves | Accumulated loss | Total equity |
|---|---|---|---|---|---|---|---|
| **COMPANY** | | | | | | | |
| **Balance at 1 April 2021** | 33 626 | 18 275 | (129) | 482 | 52 254 | (56 567) | (4 313) |
| Total comprehensive income for the year | – | – | 17 | – | 17 | (1 731) | (1 714) |
| Contribution made by shareholder during the year | – | 6 778 | – | – | 6 778 | – | 6 778 |
| Shares issued during the year in respected of contributed capital | 24 334 | (24 334) | – | – | – | – | – |
| **Balance at 1 April 2022** | 57 960 | 719 | (112) | 482 | 59 049 | (58 298) | 751 |
| Total comprehensive income for the year | **–** | **–** | **102** | **2 424** | **2 526** | **(231)** | **2 295** |
| Contribution made by shareholder during the year | **–** | **1 583** | **–** | **–** | **1 583** | **–** | **1 583** |
| Shares issued during the year in respected of contributed capital | **2 302** | **(2 302)** | **–** | **–** | **–** | **–** | **–** |
| **Balance at 31 March 2023** | **60 262** | **–** | **(10)** | **2 906** | **63 158** | **(58 529)** | **4 629** |

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

# Group and Company statement of cash flows

for the year ended 31 March 2023

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| **R MILLION** | **Notes** | **2023** | **2022** | **2023** | **2022** |
| **Cash flows from operating activities** | | | | | |
| Cash used in operations | 15 | **(568)** | (5 822) | **(212)** | (3 818) |
| Interest and dividend income | | **69** | 80 | **56** | 78 |
| Finance costs | | **(42)** | (213) | **(52)** | (184) |
| Tax paid | 32 | **(1)** | (1) | **(1)** | (1) |
| **Net cash outflow from operating activities** | | **(542)** | (5 956) | **(209)** | (3 925) |
| **Cash flows from investing activities** | | | | | |
| Additions to property, aircraft and equipment – owned assets | 11 | **(61)** | – | **(57)** | (1) |
| Proceeds on disposal of property, aircraft, equipment and intangible assets | 11, 33 | **157** | 4 | **134** | – |
| Acquisition of shares in subsidiaries | | **–** | – | **(314)** | (2 301) |
| **Net cash inflow/(outflow) from investing activities** | | **96** | 4 | **(237)** | (2 302) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from contribution made by shareholder during the year | | **1 583** | 6 778 | **1 583** | 6 778 |
| External borrowings repaid | | **(1 535)** | (4 081) | **(1 534)** | (4 078) |
| Repayment of lease liabilities | 26 | **(10)** | – | **(10)** | – |
| **Net cash inflow from financing activities** | | **38** | 2 697 | **39** | 2 700 |
| **Net decrease in cash and cash equivalents** | | **(408)** | (3 255) | **(407)** | (3 527) |
| Cash and cash equivalents at the beginning of the year | | **2 043** | 5 406 | **1 744** | 5 380 |
| Foreign exchange effect on cash and cash equivalents | | **28** | (108) | **28** | (109) |
| **Cash and cash equivalents at the end of the year** | 19 | **1 663** | 2 043 | **1 365** | 1 744 |

# 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 46.

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.

**Revenue from the release of fares, levies and taxes relating to unutilised tickets**
Air tickets not utilised on flight date represent breakage. The expected breakage revenue is recognised at the same time as the revenue from the particular flight is recognised. The estimate is based on historical statistics and data that takes into account the terms and conditions for various ticket types.

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

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

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

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

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

**Principal versus agent considerations**
The Group has identified the specified goods or services to be provided to the customer as air transportation services.

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

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

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

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

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

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

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

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

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

## MAINTENANCE COSTS

### Owned aircraft

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

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

### Leased aircraft

Provision is made for aircraft maintenance expenditure which the Group incurs in connection with major airframe and engine overhauls on leased aircraft, where the terms of the lease impose 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.

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.

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

### TAXATION (CONTINUED)

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

#### Depreciation

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

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

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

The following annual rates are applicable:

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

#### Residual values

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

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

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

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

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

### LEASEHOLD IMPROVEMENTS

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

**Aircraft**
In cases where the aircraft held under 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.

# 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 23.

#### 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 23.

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

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

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

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

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

**Financial liabilities**

Financial liabilities primarily include trade and other payables, bank overdrafts, interest bearing borrowings from financial institutions denominated in local currency and other liabilities such as 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 23.

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

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

### RELATED PARTIES

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

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

### COMPARATIVE FIGURES

Where necessary, comparative amounts have been adjusted in order to improve comparability. Financial statement line items that changed in the prior year are fair value and translation movements, interest and dividend income, aircraft and other deposits, trade and other receivables, accumulated loss and trade and other payables. There is no significant impact on the loss for the prior year or net liabilities/assets as a result of these adjustments.

## 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 2023. The standards and interpretations included below only include those that the directors believe may have an impact on the Group, the quantum of which cannot be reliably estimated.

| Standard/interpretation | Impact | Effective date: years beginning on or after |
|---|---|---|
| Definition of Accounting Estimates – Amendments to IAS 8 | The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors. 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 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements. | 1 January 2023 |
| Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – 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 2024 |
| Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The adoption of this standard is unlikely to have a significant effect on SAA's annual financial statements. | 1 January 2024 |

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

### 3.1 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 74 million) via the IATA sales channels. Despite engagements between both SAA senior management and an IATA senior delegation with the Reserve Bank of Zimbabwe, repatriation of funds has been limited. For this reason, SAA took a decision to impair the full amount relating to IATA sales trapped in Zimbabwe. This resulted in an impairment of R1,1 billion in the 2019 financial year. As and when any funds are repatriated the impairment is reversed.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### FREQUENT FLYER PROGRAMME

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

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

Professional judgement is exercised by management due to the diversity of inputs that go into determining the stand-alone selling price of the award credits and due to the possibility that the trend may change over time. A one percent variance in the weighted average deferral value for all the buckets of outstanding miles equates to a movement of R4,4 million (2022: R8,2 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 R110 million (2022: R457 million) and the carrying amount of short-term frequent flyer deferred revenue was R292 million (2022: R362 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, i.e. 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.

| R MILLION | Notes | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|---|

## 5. AIRLINE REVENUE

| | | | | | |
|---|---|---|---|---|---|
| The analysis of airline revenue for the year is as follows: | | | | | |
| Passenger revenue | | **2 434** | 574 | **2 435** | 396 |
| Freight and mail | | **251** | 77 | **251** | 76 |
| Technical services | | **488** | 454 | **–** | – |
| Voyager income | 14 | **776** | 54 | **776** | 54 |
| Commission received | | **1** | – | **1** | – |
| Release from prescribed tickets | | **197** | 228 | **197** | 228 |
| Fuel levies | | **1 158** | 186 | **1 158** | 186 |
| Other airline revenue adjustments* | | **113** | 21 | **113** | 21 |
| | | **5 418** | 1 594 | **4 931** | 961 |

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

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 6. OTHER INCOME

| | | | | |
|---|---|---|---|---|
| Other income is made up of the following items: | | | | |
| Handling fees | **39** | 12 | **3** | 1 |
| Income from leased assets | **131** | 52 | **105** | 31 |
| Other recoveries* | **110** | 354 | **127** | 279 |
| | **280** | 418 | **235** | 311 |

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

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 7. OPERATING PROFIT/(LOSS) BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

Operating profit/(loss) before interest, tax, depreciation and amortisation is stated after taking into account among others, the following:

| | | | | |
|---|---|---|---|---|
| **OPERATING LEASE PAYMENTS*** | | | | |
| Aircraft | **421** | 470 | **421** | 126 |
| Buildings | **70** | 93 | **61** | 76 |
| Equipment and vehicles | **8** | 11 | **6** | 9 |
| **Total operating lease payments** | **499** | 574 | **488** | 211 |

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

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **AUDITORS' REMUNERATION** | | | | |
| Audit fees – current year | **54** | (3) | **46** | 1 |
| **Total auditors' remuneration** | **54** | (3) | **46** | 1 |

Directors' emoluments and executive management emoluments are disclosed in Note 44.

## 8. DEPRECIATION AND AMORTISATION

| R MILLION | Notes | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|---|
| Aircraft and simulators | | **(86)** | (124) | **(61)** | (97) |
| Buildings and structures | | **(46)** | (46) | **(16)** | (16) |
| Machinery, equipment and furniture | | **(32)** | (34) | **(10)** | (11) |
| Vehicles and cabin loaders | | **(6)** | (7) | **(2)** | (2) |
| Right of use assets – aircraft | | **(6)** | – | **(6)** | – |
| **Total depreciation** | 11 | **(176)** | (211) | **(95)** | (126) |
| Amortisation of intangible assets | 33 | **(5)** | (11) | **–** | (5) |
| **Total depreciation and amortisation** | | **(181)** | (222) | **(95)** | (131) |

## 9. NET GAIN ON DISPOSAL OF PROPERTY, AIRCRAFT AND EQUIPMENT

| R MILLION | Notes | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|---|
| **Net gain on disposal of property, aircraft and equipment comprises the following:** | | | | | |
| Profit on disposal of property, aircraft and equipment | | **68** | 2 | **46** | – |
| Loss on disposal of property, aircraft and equipment | | **(8)** | – | **(1)** | – |
| | | **60** | 2 | **45** | – |

## 10. IMPAIRMENTS

| R MILLION | Notes | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|---|
| **Impairment of loans and receivables held at amortised cost** | | | | | |
| Reversal of impairment/(impairment) of accounts receivable | 18 | **46** | (178) | **14** | (31) |
| **Impairment of other assets** | | | | | |
| Impairment of investments in subsidiaries | 39 | **–** | – | **(517)** | (1 205) |
| Reversal of impairment of loans to subsidiaries | 18, 40 | **–** | – | **41** | 696 |
| Impairment arising from write-down of inventory to net realisable value | 34 | **(141)** | – | **–** | – |
| Reversal of impairment of cash neutrality advance to South African Express SOC Limited | | **–** | 54 | **–** | 54 |
| | | **(95)** | (124) | **(462)** | (486) |

## 11. PROPERTY, AIRCRAFT AND EQUIPMENT

| R MILLION | 2023 Cost/ valuation | 2023 Accumulated depreciation/ impairment | 2023 Carrying value | 2022 Cost/ valuation | 2022 Accumulated depreciation/ impairment | 2022 Carrying value |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| Land | **640** | **–** | **640** | 696 | – | 696 |
| Buildings and structures | **4 877** | **(23)** | **4 854** | 1 701 | (552) | 1 149 |
| Machinery, equipment and furniture | **945** | **(773)** | **172** | 952 | (748) | 204 |
| Vehicles and cabin loaders | **111** | **(99)** | **12** | 116 | (98) | 18 |
| Aircraft and simulators | **3 286** | **(3 016)** | **270** | 9 822 | (9 521) | 301 |
| Containers | **30** | **(30)** | **–** | 30 | (30) | – |
| Capital work in progress | **127** | **–** | **127** | 129 | – | 129 |
| Right of use assets – aircraft | **163** | **(6)** | **157** | – | – | – |
| **Total** | **10 179** | **(3 947)** | **6 232** | 13 446 | (10 949) | 2 497 |
| **COMPANY** | | | | | | |
| Land | **260** | **–** | **260** | 316 | – | 316 |
| Buildings and structures | **2 944** | **–** | **2 944** | 912 | (349) | 563 |
| Machinery, equipment and furniture | **402** | **(360)** | **42** | 409 | (356) | 53 |
| Vehicles and cabin loaders | **38** | **(35)** | **3** | 41 | (38) | 3 |
| Aircraft and simulators | **3 244** | **(2 984)** | **260** | 9 781 | (9 515) | 266 |
| Containers | **30** | **(30)** | **–** | 30 | (30) | – |
| Capital work in progress | **79** | **–** | **79** | 84 | – | 84 |
| Right of use assets – aircraft | **163** | **(6)** | **157** | – | – | – |
| **Total** | **7 160** | **(3 415)** | **3 745** | 11 573 | (10 288) | 1 285 |

## 11. PROPERTY, AIRCRAFT AND EQUIPMENT (continued)

| R MILLION | Land | Buildings and structures | Machinery, equipment and furniture | Vehicles and cabin loaders | Aircraft and simulators | Containers | Capital work in progress | Right of use assets – aircraft | Total |
|---|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | | |
| **Reconciliation** | | | | | | | | | |
| Opening balance | 696 | 1 186 | 242 | 27 | 514 | – | 117 | – | 2 782 |
| Disposals | – | – | – | (2) | – | – | – | – | (2) |
| Transfers | – | 9 | – | – | (9) | – | – | – | – |
| Depreciation | – | (46) | (34) | (7) | (124) | – | – | – | (211) |
| Property, aircraft and equipment written-off | – | – | (4) | – | (80) | – | 12 | – | (72) |
| **Balance at 31 March 2022** | 696 | 1 149 | 204 | 18 | 301 | – | 129 | – | 2 497 |
| Opening balance | **696** | **1 149** | **204** | **18** | **301** | **–** | **129** | **–** | **2 497** |
| Additions – owned assets | **–** | **–** | **1** | **2** | **55** | **–** | **3** | **–** | **61** |
| Additions – right of use assets | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **163** | **163** |
| Disposals | **(56)** | **(38)** | **(1)** | **(2)** | **–** | **–** | **–** | **–** | **(97)** |
| Transfers | **–** | **5** | **–** | **–** | **–** | **–** | **(5)** | **–** | **–** |
| Revaluations | **–** | **3 784** | **–** | **–** | **–** | **–** | **–** | **–** | **3 784** |
| Depreciation | **–** | **(46)** | **(32)** | **(6)** | **(86)** | **–** | **–** | **(6)** | **(176)** |
| **Balance at 31 March 2023** | **640** | **4 854** | **172** | **12** | **270** | **–** | **127** | **157** | **6 232** |
| **COMPANY** | | | | | | | | | |
| **Reconciliation** | | | | | | | | | |
| Opening balance | 316 | 578 | 64 | 5 | 363 | – | 84 | – | 1 410 |
| Additions – owned assets | – | 1 | – | – | – | – | – | – | 1 |
| Depreciation | – | (16) | (11) | (2) | (97) | – | – | – | (126) |
| **Balance at 31 March 2022** | 316 | 563 | 53 | 3 | 266 | – | 84 | – | 1 285 |
| Opening balance | **316** | **563** | **53** | **3** | **266** | **–** | **84** | **–** | **1 285** |
| Additions – owned assets | **–** | **–** | **–** | **2** | **55** | **–** | **–** | **–** | **57** |
| Additions – right of use assets | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **163** | **163** |
| Disposals | **(56)** | **(32)** | **(1)** | **–** | **–** | **–** | **–** | **–** | **(89)** |
| Transfers | **–** | **5** | **–** | **–** | **–** | **–** | **(5)** | **–** | **–** |
| Revaluations | **–** | **2 424** | **–** | **–** | **–** | **–** | **–** | **–** | **2 424** |
| Depreciation | **–** | **(16)** | **(10)** | **(2)** | **(61)** | **–** | **–** | **(6)** | **(95)** |
| **Balance at 31 March 2023** | **260** | **2 944** | **42** | **3** | **260** | **–** | **79** | **157** | **3 745** |

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

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

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

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 11. PROPERTY, AIRCRAFT AND EQUIPMENT (continued)

### NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Carrying value of property, aircraft and equipment classified as held-for-sale | **71** | 71 | **–** | – |
| | **71** | 71 | **–** | – |

During the prior 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.

## 12. AIRCRAFT AND OTHER DEPOSITS

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Non-current portion of security deposits | **1 449** | 2 161 | **1 223** | 1 935 |
| **Total non-current aircraft and other deposits** | **1 449** | 2 161 | **1 223** | 1 935 |

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Current portion of maintenance reserve receivable | **37** | – | **29** | – |
| **Total current aircraft and other deposits** | **37** | – | **29** | – |

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.

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Maintenance reserve opening balance | **–** | 1 158 | **–** | – |
| Maintenance reserves paid | **37** | – | **29** | – |
| Maintenance reserves written-off | **–** | (1 158) | **–** | – |
| *Less*: current portion | **(37)** | – | **(29)** | – |
| **Non-current portion of maintenance reserve receivable** | **–** | – | **–** | – |

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.

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Security deposits opening balance | **2 161** | 1 953 | **1 935** | 1 795 |
| Security deposits received back from lessor | **(613)** | (460) | **(613)** | (460) |
| Security deposits paid | **31** | 734 | **31** | 666 |
| Finance income earned | **11** | – | **11** | – |
| Realignment of cash reserve balance | **(354)** | – | **(354)** | – |
| Currency revaluation | **213** | (66) | **213** | (66) |
| **Non-current portion of security deposits** | **1 449** | 2 161 | **1 223** | 1 935 |

## 13. PROVISIONS

| R MILLION | Provision for lease liabilities[1] | Other provisions[2] | Total |
|---|---|---|---|
| **GROUP** | | | |
| **Reconciliation** | | | |
| Opening balance | 887 | 1 176 | 2 063 |
| Additions | – | 298 | 298 |
| Utilised during the year | – | (1 036) | (1 036) |
| Reversed during the year | (887) | (354) | (1 241) |
| **Balance at 31 March 2022** | – | 84 | 84 |
| Current portion | – | 84 | 84 |
| Opening balance | **–** | **84** | **84** |
| Additions | **–** | **553** | **553** |
| Reversed during the year | **–** | **(533)** | **(533)** |
| **Balance at 31 March 2023** | **–** | **104** | **104** |
| Current portion | **–** | **104** | **104** |

| R MILLION | Other provisions[2] | Total |
|---|---|---|
| **COMPANY** | | |
| **Reconciliation** | | |
| Opening balance | 1 176 | 1 176 |
| Additions | 298 | 298 |
| Utilised during the year | (1 036) | (1 036) |
| Reversed during the year | (354) | (354) |
| **Balance at 31 March 2022** | 84 | 84 |
| Current portion | 84 | 84 |
| Opening balance | **84** | **84** |
| Additions | **553** | **553** |
| Reversed during the year | **(533)** | **(533)** |
| **Balance at 31 March 2023** | **104** | **104** |
| Current portion | **104** | **104** |

*(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.*

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 14. DEFERRED REVENUE ON TICKET SALES

| | | | | |
|---|---|---|---|---|
| Frequent flyer deferred revenue – long-term | **110** | 457 | **110** | 457 |
| Net air traffic liability SAA – short-term | **1 316** | 1 590 | **1 135** | 1 348 |
| Frequent flyer deferred revenue – short-term | **292** | 362 | **292** | 362 |
| | **1 608** | 1 952 | **1 427** | 1 710 |

### 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.

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 15. CASH USED IN OPERATIONS

| | | | | |
|---|---|---|---|---|
| Profit/(loss) before taxation | **252** | (3 682) | **(231)** | (1 731) |
| **Adjustments for:** | | | | |
| Depreciation and amortisation on property, aircraft and equipment | **176** | 211 | **95** | 126 |
| Net gain on disposal of property, aircraft and equipment | **(60)** | (2) | **(45)** | – |
| Amortisation of intangible assets | **5** | 11 | **–** | 5 |
| Reversal of impairment of loans to subsidiaries | **–** | – | **(41)** | (696) |
| Impairment of investments in subsidiaries | **–** | – | **517** | 1 205 |
| Interest and dividend income | **(69)** | (80) | **(56)** | (78) |
| Finance costs | **42** | 213 | **52** | 184 |
| Release from air traffic liability | **(27)** | 14 | **(27)** | 14 |
| Movement in employee benefit obligations | **(76)** | (15) | **(76)** | (15) |
| (Reversal of impairment)/impairment of accounts receivable | **(46)** | 178 | **(14)** | 31 |
| Non-cash movement on retirement benefit plans | **102** | 17 | **102** | 17 |
| Release from passenger tax levies | **(170)** | (242) | **(170)** | (242) |
| Unrealised foreign exchange gain/(loss) on cash and cash equivalents | **(28)** | 108 | **(28)** | 109 |
| Unrealised foreign exchange loss on lease liabilities | **6** | – | **6** | – |
| 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 | **–** | – | **(41)** | (785) |
| Non-cash transfer of receivership liabilities from current to non-current | **–** | 1 077 | **–** | 1 077 |
| Non-cash transfer on long-terms loans | **–** | 562 | **–** | 562 |
| Non-cash transfer of receivership liabilities from non-current to current | **(1 077)** | – | **(1 077)** | – |
| Non-cash movement arising on restatement of 2022 opening accumulated loss | **–** | 98 | **–** | 98 |
| Property, aircraft and equipment written-off | **–** | 72 | **–** | – |
| Transfer to non-current assets held-for-sale | **–** | (71) | **–** | – |
| **Changes in working capital:** | | | | |
| Aircraft and other deposits | **675** | 950 | **683** | (140) |
| Movement in non-current legal settlements | **–** | (40) | **–** | (40) |
| Inventories | **(62)** | 85 | **(6)** | 28 |
| Trade and other receivables | **(627)** | 50 | **(564)** | 816 |
| Trade and other payables | **1 059** | (2 617) | **1 291** | (2 538) |
| Air traffic liability | **(247)** | (758) | **(186)** | (751) |
| Frequent flyer deferred revenue | **(417)** | 12 | **(417)** | 12 |
| Provisions | **20** | (1 979) | **20** | (1 092) |
| | **(568)** | (5 822) | **(212)** | (3 818) |

## 16. FINANCE COSTS

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **The interest paid related to financial liabilities held at amortised cost is detailed below:** | | | | |
| Interest paid on borrowings | **(49)** | (180) | **(49)** | (180) |
| Interest paid on overdraft | **8** | (33) | **(2)** | (4) |
| Lease liabilities | **(1)** | – | **(1)** | – |
| | **(42)** | (213) | **(52)** | (184) |

## 17. INTEREST AND DIVIDEND INCOME

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **Interest and dividend income received was derived from:** | | | | |
| Cash and bank balances | **64** | 77 | **51** | 75 |
| Loans and receivables | **5** | 3 | **5** | 3 |
| | **69** | 80 | **56** | 78 |

## 18. TRADE AND OTHER RECEIVABLES

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Gross accounts receivable | **1 573** | 1 183 | **1 507** | 1 106 |
| Allowance for impairment | **(1 066)** | (1 087) | **(1 061)** | (1 013) |
| | **507** | 96 | **446** | 93 |
| Prepayments | **455** | 434 | **498** | 366 |
| Foreign exchange differences on trade and other receivables | **316** | 75 | **306** | 78 |
| | **1 278** | 605 | **1 250** | 537 |

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **Reconciliation of impairment of trade and other receivables** | | | | |
| Opening balance | **(1 087)** | (1 401) | **(1 013)** | (997) |
| Impairments | **46** | (178) | **14** | (31) |
| Amounts utilised for write-offs | **163** | 480 | **85** | 3 |
| Foreign exchange difference recognised against provision | **(188)** | 12 | **(188)** | 12 |
| Reversal of impairment of loans to subsidiaries | **–** | – | **41** | – |
| **Closing balance** | **(1 066)** | (1 087) | **(1 061)** | (1 013) |

The trade receivables portfolio impairment loss relates to:

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

## 18. TRADE AND OTHER RECEIVABLES (continued)

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

| R MILLION | Gross amount | Current not yet past due | Past due but not impaired | Impaired amount |
|---|---|---|---|---|
| **GROUP – 2023** | | | | |
| BSP | 1 120 | 201 | (80) | 999 |
| Credit card | 82 | 37 | 7 | 38 |
| GSA | 79 | 27 | 44 | 8 |
| Stations | 14 | 7 | (7) | 14 |
| Cargo freight and mail | 68 | 23 | 18 | 27 |
| Airline catering | 14 | 2 | 7 | 5 |
| Travel services | 2 | – | 2 | – |
| Technical maintenance | 83 | 11 | 72 | – |
| Alliance partners | 34 | 7 | – | 27 |
| Voyager | 20 | 14 | 6 | – |
| Other trade debtors | 57 | 41 | 68 | (52) |
| | 1 573 | 370 | 137 | 1 066 |
| **COMPANY – 2023** | | | | |
| BSP | 1 120 | 201 | (80) | 999 |
| Credit card | 82 | 37 | 7 | 38 |
| GSA | 79 | 27 | 44 | 8 |
| Stations | 14 | 7 | (7) | 14 |
| Cargo freight and mail | 68 | 23 | 18 | 27 |
| Alliance partners | 34 | 7 | – | 27 |
| Voyager | 20 | 14 | 6 | – |
| Other trade debtors | 90 | 41 | 101 | (52) |
| | 1 507 | 357 | 89 | 1 061 |

## 18. TRADE AND OTHER RECEIVABLES (continued)

| R MILLION | Gross amount | Current not yet past due | Past due but not impaired | Impaired amount |
|---|---|---|---|---|
| **GROUP – 2022** | | | | |
| 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 | (138) | (379) | 207 | 34 |
| | 1 183 | (371) | 467 | 1 087 |
| **COMPANY – 2022** | | | | |
| 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 | (3) | (285) | 207 | 75 |
| | 1 106 | (161) | 254 | 1 013 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **R MILLION** | **2023** | **2022** | **2023** | **2022** |
| **Past due but not impaired can be analysed further in terms of ageing as follows:** | | | | |
| 30 to 60 days | **128** | 89 | **106** | 89 |
| 61 to 90 days | **41** | 25 | **35** | 26 |
| 91 to 120+ days | **(32)** | 353 | **(52)** | 139 |
| | **137** | 467 | **89** | 254 |
| **Credit quality of trade and other receivables** | | | | |
| Trade receivables can be analysed based on historical collections performance as follows: | | | | |
| **Trade receivables** | | | | |
| Trade debtors with no history of default | **370** | (371) | **357** | (161) |
| | **370** | (371) | **357** | (161) |

### 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 R8 million (2022: R10 million) in respect of local GSA debtors and R155 million (2022: 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.

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 19. CASH AND CASH EQUIVALENTS

| | | | | |
|---|---|---|---|---|
| Cash and cash equivalents consist of: | | | | |
| Foreign bank accounts | **723** | 337 | **720** | 340 |
| Domestic bank accounts | **940** | 1 706 | **645** | 1 404 |
| **Total cash and cash equivalents** | **1 663** | 2 043 | **1 365** | 1 744 |

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 R526 million (2022: R222 million). Of this restricted cash, R360 million (2022: R141 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.

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 20. TRADE AND OTHER PAYABLES

| | | | | |
|---|---|---|---|---|
| Trade payables | **2 338** | 2 141 | **416** | 67 |
| Payroll accruals | **101** | 185 | **56** | 113 |
| Deferred revenue collected on behalf of franchise and interline partners* | **245** | 258 | **245** | 258 |
| Ticket tax accruals | **446** | 522 | **356** | 431 |
| Other payables** | **122** | (84) | **435** | 177 |
| Current portion of receivership liabilities*** | **1 426** | 767 | **1 426** | 767 |
| | **4 678** | 3 789 | **2 934** | 1 813 |

* *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.*

## 21. FINANCIAL LIABILITIES BY CATEGORY

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

| R MILLION | Notes | Financial liabilities at amortised cost | Fair value through profit or loss held-for-trading* | Total |
|---|---|---|---|---|
| **GROUP – 2023** | | | | |
| Shareholder loan to share trust | 27 | **63** | **–** | **63** |
| Trade and other payables | 20 | **3 851** | **–** | **3 851** |
| Non-current lease liabilities | 26 | **103** | **–** | **103** |
| Current lease liabilities | 26 | **56** | **–** | **56** |
| Current portion of receivership liabilities | 20 | **1 426** | **–** | **1 426** |
| | | **5 499** | **–** | **5 499** |
| **GROUP – 2022** | | | | |
| Long- and short-term liabilities | | 1 535 | – | 1 535 |
| Shareholder loan to share trust | 27 | 63 | – | 63 |
| Trade and other payables | 20 | 2 144 | – | 2 144 |
| Non-current portion of receivership liabilities | 27 | 1 077 | – | 1 077 |
| Current portion of receivership liabilities | 20 | 767 | – | 767 |
| | | 5 586 | – | 5 586 |

* *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.*

## 22. FINANCIAL ASSETS BY CATEGORY

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

| R MILLION | Notes | Loans and receivables | Fair value through profit or loss held-for-trading* | Available-for-sale | Total |
|---|---|---|---|---|---|
| **GROUP – 2023** | | | | | |
| Trade and other receivables | 18 | **1 160** | **–** | **–** | **1 160** |
| Cash and cash equivalents | 19 | **1 663** | **–** | **–** | **1 663** |
| Non-current aircraft and other deposits | 12 | **1 449** | **–** | **–** | **1 449** |
| Current aircraft and other deposits | 12 | **37** | **–** | **–** | **37** |
| | | **4 309** | **–** | **–** | **4 309** |
| **GROUP – 2022** | | | | | |
| Trade and other receivables | 18 | 540 | – | – | 540 |
| Cash and cash equivalents | 19 | 2 043 | – | – | 2 043 |
| Non-current aircraft and other deposits | 12 | 2 161 | – | – | 2 161 |
| | | 4 744 | – | – | 4 744 |

* *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.*

# 23. RISK MANAGEMENT

## 23.1 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.

## 23.2 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 46, which notes the concern in respect of the risk that SAA is largely undercapitalised.

## 23.3 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.

**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.

## 23. RISK MANAGEMENT (continued)

### 23.3 Financial risk management (continued)

**COMMITTED FUNDING FACILITIES**

SAA is dependent on funding in the form of 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.

| | Carrying principal amount* | Contractual amount* | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| **GROUP – 31 MARCH 2023**** | | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| US$ denominated lease liabilities (in ZAR) | 159 | 175 | 5 | 10 | 15 | 31 | 114 | – |
| **Total US$ denominated lease liabilities (in ZAR)** | 159 | 175 | 5 | 10 | 15 | 31 | 114 | – |
| Accounts payable | 4 678 | 4 678 | – | 4 678 | – | – | – | – |
| Shareholder loan to share trust | 63 | 63 | – | – | – | 63 | – | – |
| Current portion of receivership liabilities | 1 426 | 1 426 | – | – | 1 426 | – | – | – |
| **Total** | 6 167 | 6 167 | – | 4 678 | 1 426 | 63 | – | – |

* *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.*

| | Carrying principal amount* | Contractual amount* | 1 to 3 months | 3 to 6 months | 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| **GROUP – 31 MARCH 2022**** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| ZAR denominated secured loans | 1 535 | 1 584 | – | 1 583 | 1 | – |
| Accounts payable | 3 789 | 3 789 | 3 789 | – | – | – |
| 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 | – | 767 | – | – |
| **Total** | 7 231 | 7 280 | 3 789 | 2 350 | 1 141 | – |

* *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.*

# 23. RISK MANAGEMENT (continued)

## 23.3 Financial risk management (continued)

### OTHER RISKS

#### INTEREST RATE RISK

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

- Increased cash costs in an increasing interest rate environment due to the Group's floating aircraft funding structures;
- The opportunity cost of funding at a higher rate in a declining interest rate environment due to the Group's fixed funding structures.

The 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.

## 23.4 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.

# 23. RISK MANAGEMENT (continued)

## 23.4 Credit risk management (continued)

### LOANS AND RECEIVABLES CREDIT RISK

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

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

### MAXIMUM EXPOSURE TO CREDIT RISK

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R MILLION | 2023 | 2022 | 2023 | 2022 |
| **FINANCIAL INSTRUMENTS** | | | | |
| Cash and cash equivalents | **1 663** | 2 043 | **1 365** | 1 744 |
| Amounts receivable from subsidiaries** | **–** | – | **–** | 94 |
| Trade and other receivables | **1 160** | 540 | **1 154** | 523 |
| Non-current aircraft and other deposits | **1 449** | 2 161 | **1 223** | 1 935 |
| Current aircraft and other deposits | **37** | – | **29** | – |

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

| | Foreign currency amount '000 | Carrying amount R'000 | IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND* +14%* -14% US$ R'000 | +12%* -12% EUR R'000 | +15%* -15% GBP R'000 |
|---|---|---|---|---|---|
| **FINANCIAL INSTRUMENTS** | | | | | |
| **Accounts receivable** | | | | | |
| **31 MARCH 2023** | | | | | |
| US$ denominated | **100 905** | **1 795 729** | **251 402** | **–** | **–** |
| EUR denominated | **5 391** | **103 993** | **–** | **12 479** | **–** |
| GBP denominated | **1 647** | **36 161** | **–** | **–** | **5 424** |
| | | **1 935 883** | **251 402** | **12 479** | **5 424** |

|  | Foreign currency amount '000 | Carrying amount R'000 | IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND* +13%* -13% US$ R'000 | +12%* -12% EUR R'000 | +13%* -13% GBP R'000 |
|---|---|---|---|---|---|

# 23. RISK MANAGEMENT (continued)

## 23.4 Credit risk management (continued)

**FINANCIAL INSTRUMENTS**

| Accounts receivable | | | | | |
|---|---|---|---|---|---|
| **31 MARCH 2022** | | | | | |
| US$ denominated | 140 902 | 2 058 787 | 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 |

* *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.

## 23.5 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, i.e. 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.

# 23. RISK MANAGEMENT

## 23.5 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:

| | 2023 | 2022 |
|---|---|---|
| **Exchange rates used expressed in the number of rands per unit of foreign currency:** | | |
| United States dollar (US$) | **17.80** | 14.61 |
| Euro (EUR) | **19.29** | 16.17 |
| Pounds sterling (GBP) | **21.96** | 19.20 |

| | FOREIGN AMOUNT | | RAND AMOUNT | |
|---|---|---|---|---|
| **FIGURES IN MILLIONS** | **2023** | **2022** | **2023** | **2022** |
| **FOREIGN CURRENCY EXPOSURE AT STATEMENT OF FINANCIAL POSITION DATE** | | | | |
| The following debtors and creditors amounts included in the statement of financial position have not been covered by forward exchange contracts: | | | | |
| **Accounts receivable** | | | | |
| US dollar | **101** | 141 | **1 796** | 2 059 |
| Euro | **5** | 4 | **104** | 70 |
| UK pound | **2** | 1 | **36** | 24 |
| Hong Kong dollar | **1** | 1 | **3** | 2 |
| Danish krone | **2** | 1 | **4** | 2 |
| Swiss franc | **2** | 2 | **43** | 30 |
| Australian dollar | **1** | – | **9** | 5 |
| Brazilian real | **12** | 12 | **42** | 37 |
| Thai baht | **3** | 2 | **2** | 1 |
| Malawian kwacha | **4 432** | 38 | **77** | 1 |
| Other | **–** | – | **234** | 58 |
| | | | **2 350** | 2 289 |
| **Accounts payable** | | | | |
| US dollar | **58** | 58 | **1 034** | 854 |
| Euro | **2** | 4 | **40** | 60 |
| UK pound | **–** | – | **8** | 7 |
| Australian dollar | **2** | 2 | **21** | 23 |
| Benin CFA Franc BCEAO | **1** | 44 | **–** | 1 |
| Other | **–** | – | **60** | 38 |
| | | | **(1 163)** | (983) |
| Accounts receivable as above | | | **2 350** | 2 289 |
| **Net exposure** | | | **1 187** | 1 306 |

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.

# 23. RISK MANAGEMENT

## 23.5 Market risk management (continued)

**PRICE RISK ASSOCIATED WITH COMMODITIES**

Jet fuel consumption is SAA's biggest cost contributor, representing approximately 26 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 6,6 million litres (2022: 2,5 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, i.e. 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.

## 23. RISK MANAGEMENT

### 23.5 Market risk management (continued)

**SENSITIVITY ANALYSIS (CONTINUED)**

**GROUP AND COMPANY**

| Non-derivative financial instruments | Foreign currency amount '000 | Carrying amount R'000 | CURRENCY[1] Profit/(loss) impact -14% US$ R'000 | CURRENCY[1] Profit/(loss) impact +14% US$ R'000 | INTEREST RATE[1] Profit/(loss) impact -50 BPS US$ -100 BPS ZAR R'000 | INTEREST RATE[1] Profit/(loss) impact +50 BPS US$ +100 BPS ZAR R'000 |
|---|---|---|---|---|---|---|
| **31 MARCH 2023** | | | | | | |
| Accounts payable (US$ denominated) | 58 119 | 1 034 301 | 144 802 | (144 802) | – | – |
| Lease liabilities (US$ denominated) | 8 948 | 159 245 | 22 294 | (22 294) | 796 | (796) |
| **Total financial liabilities** | | 1 193 546 | 167 096 | (167 096) | 796 | (796) |
| Foreign cash and cash equivalents (Favourable cash – US$ equivalent) | 40 631 | 723 230 | (101 252) | 101 252 | (3 616) | 3 616 |
| ZAR based cash and cash equivalents (Favourable cash) | – | 940 269 | – | – | (9 403) | 9 403 |
| **Total financial assets** | | 1 663 499 | (101 252) | 101 252 | (13 019) | 13 019 |

**GROUP AND COMPANY**

| Non-derivative financial instruments | Foreign currency amount '000 | Carrying amount R'000 | CURRENCY[1] Profit/(loss) impact -13% US$ R'000 | CURRENCY[1] Profit/(loss) impact +13% US$ R'000 | INTEREST RATE[1] Profit/(loss) impact -50 BPS US$ -100 BPS ZAR R'000 | INTEREST RATE[1] Profit/(loss) impact +50 BPS US$ +100 BPS ZAR R'000 |
|---|---|---|---|---|---|---|
| **31 MARCH 2022** | | | | | | |
| 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) | – | – |
| **Total financial liabilities** | | 2 388 360 | 110 985 | (110 985) | 15 346 | (15 346) |
| 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 |
| **Total financial assets** | | 2 043 547 | (43 829) | 43 829 | (18 750) | 18 750 |

# 23. RISK MANAGEMENT

## 23.5 Market risk management (continued)

### SENSITIVITY ANALYSIS (CONTINUED)

### GROUP AND COMPANY

| | | | IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND(1) | |
|---|---|---|---|---|
| | Foreign currency amount '000 | Carrying amount R'000 | +12% -12% EUR/US$ R'000 | +15% -15% GBP/US$ R'000 |
| **Non-derivative financial instruments** | | | | |
| **31 MARCH 2023** | | | | |
| **Denominated in EUR and GBP(2)** | | | | |
| Accounts payable – EUR | **2 069** | **39 915** | **4 790** | **–** |
| Accounts payable – GBP | **374** | **8 205** | **–** | **1 231** |
| | | **48 120** | **4 790** | **1 231** |

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

*(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.*

### LEASE COMMITMENTS

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

### FOREIGN DEFINED BENEFIT OBLIGATIONS

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

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **24. EMPLOYEE BENEFIT EXPENSES** | | | | |
| 24.1 Short-term employee benefit expenses | | | | |
| Personnel and labour costs | **1 051** | 2 402 | **572** | 762 |
| Contribution to medical funds | **6** | 10 | **2** | 4 |
| | **1 057** | 2 412 | **574** | 766 |
| 24.2 Post-employment benefit expenses* | | | | |
| Contribution to pension funds | **90** | 123 | **48** | 45 |
| Current-service cost | **4** | 20 | **4** | 20 |
| Interest cost | **137** | 156 | **137** | 156 |
| Return on plan assets | **(191)** | (185) | **(191)** | (185) |
| | **40** | 114 | **(2)** | 36 |
| **Total employee benefit expenses** | **1 097** | 2 526 | **572** | 802 |

* *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.*

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **25. RETIREMENT BENEFITS** | | | | |
| Post-retirement medical benefits | **(11)** | (33) | **(11)** | (33) |
| Retirement benefit obligation | **(38)** | (92) | **(38)** | (92) |
| Retirement benefit asset | **6** | 6 | **6** | 6 |
| | **(43)** | (119) | **(43)** | (119) |

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Non-current assets | **6** | 6 | **6** | 6 |
| Non-current liabilities | **(49)** | (125) | **(49)** | (125) |
| | **(43)** | (119) | **(43)** | (119) |

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 26. LEASE LIABILITIES

| | | | | |
|---|---|---|---|---|
| **Reconciliation** | | | | |
| Opening balance | – | – | – | – |
| Additions | 163 | – | 163 | – |
| Finance costs | 1 | – | 1 | – |
| Repayment of lease liabilities (including finance costs) | (11) | – | (11) | – |
| Currency revaluation | 6 | – | 6 | – |
| **Closing balance** | 159 | – | 159 | – |
| Non-current | 103 | – | 103 | – |
| Current | 56 | – | 56 | – |
| | 159 | – | 159 | – |

*The above liability relates to aircraft lease liabilities that arise at the inception of an aircraft lease and that qualify for recognition in terms of IFRS 16 – Leases. Refer to Note 1 for more details regarding the accounting policies relating to lease liabilities.*

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 27. OTHER LIABILITIES

| | | | | |
|---|---|---|---|---|
| Shareholder loan to South African Airways Employee Share Trust | 63 | 63 | – | – |
| Non-current portion of Receivership liabilities*** | – | 1 077 | – | 1 077 |
| | 63 | 1 140 | – | 1 077 |

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Non-current liabilities | – | 1 140 | – | 1 077 |
| Current liabilities | 63 | – | – | – |
| | 63 | 1 140 | – | 1 077 |

*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 likely that the South African Airways Employee Share Trust will be wound up during the 2023/2024 financial year and therefore has been classified as short-term in the current financial year.*

**** 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 20 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 2023. The actuaries were satisfied with the status of the members' credit account then.

#### 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 (2022: 3) and 310 pensioners (2022: 316) at 31 March 2023. An actuarial valuation was done as at 31 March 2023 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.

## 28. EMPLOYEE BENEFIT INFORMATION (continued)

### 28.1 SAA Group pension benefits (continued)

#### 28.1.2 SAA subfund of the transport pension fund (continued)

| PERCENT | 2023 | 2022 |
|---|---|---|
| **Principal actuarial assumptions used:** | | |
| Discount rate | **9.90** | 10.00 |
| Inflation | **5.10** | 5.80 |
| Salary increases | | |
| – Inflation | **6.10** | 6.80 |
| Pension increases | | |
| – First three years | **3.83** | 4.35 |
| – After three years | **3.83** | 4.35 |

| R MILLION | 2023 | 2022 |
|---|---|---|
| **Benefit asset** | | |
| Present value of obligation | **(1 311)** | (1 359) |
| Fair value of plan assets | **1 786** | 1 928 |
| Surplus | **475** | 569 |
| Asset not recognised | **(469)** | (563) |
| **Net asset per the statement of financial position** | **6** | 6 |
| **Reconciliation of movement in present value of obligation** | | |
| Opening benefit liability at the beginning of the year | **(1 359)** | (1 597) |
| Service cost | **(2)** | (13) |
| Administration costs | **1** | – |
| Interest cost | **(127)** | (150) |
| Remeasurement due to change in economic assumptions | **39** | 155 |
| Remeasurement due to change in demographic assumptions | **–** | – |
| Remeasurement due to experience | **(31)** | 56 |
| Benefits paid | **168** | 190 |
| Past-service cost | **–** | – |
| Member contributions | **–** | – |
| **Closing fair value of obligation** | **(1 311)** | (1 359) |

## 28. EMPLOYEE BENEFIT INFORMATION (continued)

### 28.1 SAA Group pension benefits (continued)

#### 28.1.2 SAA subfund of the transport pension fund (continued)

| R MILLION | 2023 | 2022 |
|---|---|---|
| **Reconciliation of fair value of plan assets** | | |
| Opening fair value of plan assets | **1 928** | 1 907 |
| Return on plan assets – interest income | **184** | 181 |
| Administration costs | **(1)** | – |
| Remeasurement | **(157)** | 29 |
| Employer's contributions | **–** | 1 |
| Benefits paid | **(168)** | (190) |
| Member contributions | **–** | – |
| **Closing fair value of plan assets** | **1 786** | 1 928 |
| **Reconciliation of the change in the asset not recognised** | | |
| Opening asset not recognised | **(563)** | (248) |
| Interest cost | **(56)** | (25) |
| Change in the effect of the asset ceiling | **150** | (290) |
| **Closing asset not recognised** | **(469)** | (563) |

| PERCENT | 2023 | 2022 |
|---|---|---|
| **The major categories of plan assets as a percentage of total plan assets are:** | | |
| Equity | **8** | 9 |
| Property | **2** | 2 |
| Bonds | **72** | 75 |
| Cash | **8** | 4 |
| International | **10** | 10 |
| **Total** | **100** | 100 |

| R MILLION | 2023 | 2022 |
|---|---|---|
| Current-service cost | **2** | 13 |
| Interest on obligation | **127** | 150 |
| Past-service cost | **–** | – |
| Return on plan assets – interest income | **(184)** | (181) |
| | **(55)** | (18) |

# 28. EMPLOYEE BENEFIT INFORMATION (continued)

## 28.1 SAA Group pension benefits (continued)

### 28.1.2 SAA subfund of the transport pension fund (continued)

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

The net remeasurement gain on this defined benefit plan of R1 million per Note 37 is arrived at by reducing the net remeasurement loss of R149 million above by R150 million, which is the net change in the surplus asset that may not be recognised per the actuarial valuation.

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately R9 million (2022: R9 million) relating to active employees and R1 302 million (2022: 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.

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 6,1%** | **Increase by 6,8%** |
| Inflation rate | **1%** | **Increase by 5,3%** | **Decrease by 4,9%** |

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.

There were 549 continuation members (2022: 549) and 0 in-service members (2022: 0) at 31 March 2023. The expected retirement age is 63 years and there is no allowance for early retirement. The average age of the continuation members was 74,1 years (2022: 73,1 years) at 31 March 2023. The Group expects to make a contribution of R1,4 million (2023: R1,4 million) to the defined benefit plan during the next financial year.

| | **2023** | **2022** |
|---|---|---|
| **ELIGIBLE CONTINUATION MEMBERS:** | | |
| **Number of members** | | |
| Male | **409** | 409 |
| Female | **140** | 140 |
| | **549** | 549 |
| **Average age** | | |
| Average age (years) | **74.1** | 73.1 |

## 28. EMPLOYEE BENEFIT INFORMATION (continued)

### 28.2 Medical benefits (continued)

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

SAA subsidises continuation and in-service members with a fixed amount of R213 (2022: 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.

**ALLOCATION OF LIABILITY TO SAA GROUP**

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

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

The economic assumptions have been set in relation to the duration of the liability as at 31 March 2022 of 6,9 years. The duration of the liability as at 31 March 2023 is 6,7 years.

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

The projected unit credit method has been used for the purposes of determining an actuarial valuation of post-retirement medical benefits as at 31 March 2023.

The table below summarises the components of net benefit expense recognised in both the statement of profit or loss and other comprehensive income and the statement of financial position for the SAA Group as at 31 March 2023 for SAA Group employees.

The principal actuarial assumptions used were as follows:

| PERCENT | 2023 | 2022 |
|---|---|---|
| Discount rate | **10.25** | 10.00 |

| R MILLION | 2023 | 2022 |
|---|---|---|
| **Net benefit liability** | | |
| Present value of unfunded benefit obligations | **11** | 33 |
| **Changes in the present value of defined benefit obligations are as follows:** | | |
| Opening liability | **33** | 33 |
| Service cost | **–** | – |
| Interest cost | **1** | – |
| Remeasurement | **(22)** | – |
| Benefits paid | **(1)** | – |
| **Benefit liability at year end** | **11** | 33 |

| R MILLION | 2023 | 2022 |
|---|---|---|

# 28. EMPLOYEE BENEFIT INFORMATION (continued)

## 28.2 Medical benefits (continued)

### ALLOCATION OF LIABILITY TO SAA GROUP (CONTINUED)

| | 2023 | 2022 |
|---|---|---|
| **Amounts recognised in the statement of profit or loss and other comprehensive income** | | |
| Current-service cost | **–** | – |
| Interest on obligation | **1** | – |
| | **1** | – |

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 5,1%** | **Increase by 5,7%** |
| Expected retirement age | **one year** | **Remains unchanged** | **Remains unchanged** |
| Mortality | **one year** | **Decrease by 1,9%** | **Increase by 1,9%** |

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

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

## 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.

### 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 2023 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 | 2023 | 2022 |
|---|---|---|
| **Principal actuarial assumptions used:** | | |
| Discount rate | **4.09** | 2.10 |
| Salary increases | **–** | – |
| Pension increases per three years | **6.60** | 6.00 |

| R MILLION | 2023 | 2022 |
|---|---|---|
| **Benefit liability** | | |
| Present value of obligation | **(365)** | (396) |
| Fair value of plan assets | **327** | 304 |
| **Net liability per the statement of financial position** | **(38)** | (92) |

| R MILLION | 2023 | 2022 |
|---|---|---|
| **28. EMPLOYEE BENEFIT INFORMATION (continued)** | | |
| 28.3 SA German pension fund benefits (continued) | | |
| **ACTUARIAL VALUATIONS (CONTINUED)** | | |
| **Reconciliation of movement in present value of obligation** | | |
| Opening benefit liability at the beginning of the year | **396** | 449 |
| Service cost | **2** | 7 |
| Interest cost | **9** | 6 |
| Exchange differences on foreign plans | **66** | (31) |
| Benefits paid | **(19)** | (17) |
| Remeasurement due to change in economic assumptions | **(88)** | (16) |
| Remeasurement due to change in demographic assumptions | **–** | – |
| Remeasurement due to change in experience | **(1)** | (2) |
| **Closing present value of obligation** | **365** | 396 |
| **Reconciliation of fair value of plan assets** | | |
| Opening fair value of plan assets | **304** | 342 |
| Exchange differences on foreign plans | **55** | (21) |
| Return on plan assets – interest income | **7** | 4 |
| Remeasurement – return on plan assets excluding interest income | **(10)** | (1) |
| Benefits paid | **(29)** | (21) |
| Employer's contribution | **–** | 1 |
| **Closing fair value of plan assets** | **327** | 304 |

| PERCENT | 2023 | 2022 |
|---|---|---|
| **The major categories of plan assets as a percentage of total plan assets are:** | | |
| Equity | **29** | 29 |
| Cash | **–** | – |
| Other | **71** | 71 |
| **Total** | **100** | 100 |

| R MILLION | 2023 | 2022 |
|---|---|---|
| Current-service cost | **2** | 7 |
| Interest on obligation | **9** | 6 |
| Return on plan assets | **(7)** | (4) |
| | **4** | 9 |

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately RNil (2022: R113 million) relating to active employees, R126 million (2022: R51 million) relating to deferred members and R239 million (2022: R232 million) relating to members in retirement.

# 28. EMPLOYEE BENEFIT INFORMATION (continued)

## 28.3 SA German pension fund benefits (continued)

### ACTUARIAL VALUATIONS (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 | **0,5%** | **Decrease by 5,6%** | **Increase by 6,2%** |
| Salary increase rate | **0,5%** | **Remains unchanged** | **Remains unchanged** |
| Pension increase rate | **0,5%** | **Increase by 1,5%** | **Decrease by 1,5%** |

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 23.5, the average movement in the Rand/Euro exchange rate over the past four years was 12 percent (2022: 12 percent), therefore a 12 percent (2022: 12 percent) change in the Rand/Euro exchange rate will lead to a change of R4,6 million (2022: R11,0 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 percent of the members' pensionable salary payable when a member becomes disabled before the normal retirement age of 63. The agreement with FDC members is for SAA to pay a further 25 percent in addition to what the member would receive from the pension fund in the case of disability. The members or SAA make no additional contribution towards these benefits, and these benefits are therefore unfunded.

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

| | NUMBER OF SHARES | |
|---|---|---|
| | **2023** | **2022** |
| **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 | |
|---|---|---|
| | **2023** | **2022** |
| **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 percent per annum after vesting took place. These shares are held as follows: | | |
| South African Airways Employee Share Trust | **23 005 660** | 23 005 660 |
| | **23 005 660** | 23 005 660 |

| | NUMBER OF SHARES | |
|---|---|---|
| | **2023** | **2022** |

## 28. EMPLOYEE BENEFIT INFORMATION (continued)

### 28.5 Share-based payments (continued)

#### 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:

| | 2023 | 2022 |
|---|---|---|
| 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.

## 29. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES

| R THOUSAND | 2023 | 2022 |
|---|---|---|
| **EXECUTIVE DIRECTORS' AND KEY MANAGEMENT EMOLUMENTS** | | |
| **Mango Airlines SOC Limited** | | |
| **Mr W Ndlovu** | | |
| Salary | **1 173** | 3 739 |
| | **1 173** | 3 739 |
| **Mr N Harichand**(1) | | |
| Salary | **360** | 1 914 |
| | **360** | 1 914 |
| **SAA Technical SOC Limited** | | |
| **Mr WN Nyuswa**(2) | | |
| Salary | **1 111** | 1 014 |
| Allowance | **167** | 158 |
| Retirement fund contributions | **–** | 92 |
| | **1 278** | 1 264 |
| **Mr R Saloojee**(3) | | |
| Salary | **715** | 1 646 |
| Allowance | **4** | – |
| | | |

| R THOUSAND | 2023 | 2022 |
|---|---|---|
| **29. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES (continued)** | | |
| **EXECUTIVE DIRECTORS' AND KEY MANAGEMENT EMOLUMENTS (CONTINUED)** | | |
| **Air Chefs SOC Limited** | | |
| **Mr K Mkwanazi**[(4)] | | |
| Salary | **1 393** | 1 490 |
| Retirement fund contributions | **–** | 28 |
| Allowance | **5** | 12 |
| Leave pay paid out | **314** | 1 052 |
| | **1 712** | 2 582 |
| **Mr DA Coyne**[(4)] | | |
| Salary | **1 848** | 693 |
| Leave pay paid out | **135** | 8 |
| | **1 983** | 701 |

*(1) Contract ended 30 June 2022.*

*(2) Appointed as Acting CEO from 1 June 2022.*

*(3) Seconded to Denel SOC Limited from 1 June 2022 to 31 August 2022 and resigned 30 September 2022.*

*(4) Resigned 31 March 2023.*

| R THOUSAND | 2023 | 2022 |
|---|---|---|
| **29. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES (continued)** | | |
| **NON-EXECUTIVE DIRECTORS' EMOLUMENTS** | | |
| **Mango Airlines SOC Limited** | | |
| Mr MP Tshisevhe[(5)] | – | 119 |
| | – | 119 |
| **SAA Technical SOC Limited** | | |
| Mr NO Fadugba[(6)] | 601 | 441 |
| Ms MMB Zwane[(6)] | 128 | 94 |
| | 729 | 535 |
| **Air Chefs SOC Limited** | | |
| Prof EL Van Harte[(8)] | – | 148 |
| Ms MMB Zwane[(7)] | 445 | 151 |
| Prof MJ Lamola[(7)] | 8 | 24 |
| | 453 | 323 |
| **South African Airways City Center SOC Limited** | | |
| Mr Z Mhlontlo[(11)] | – | – |
| Mr TTM Kgokolo[(12)] | – | – |
| Ms KC Mbeki[(11)] | – | – |
| Mr E Lusenga[(9)] | – | – |
| Ms P Luhabe[(10)] | – | – |
| | – | – |

*(5) Resigned 22 July 2021.*
*(6) Appointed 8 November 2021.*
*(7) Appointed 13 December 2021.*
*(8) Appointed 7 July 2021 and resigned 7 December 2021.*
*(9) Resigned 28 February 2022.*
*(10) Resigned 16 November 2021.*
*(11) Appointed 1 December 2021.*
*(12) Appointed 1 December 2021 and resigned 30 April 2022.*

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 30. TAXATION

| | | | | |
|---|---|---|---|---|
| **Major components of the tax expense** | | | | |
| **Current** | | | | |
| Local income tax – current year | **–** | – | **–** | – |
| **Deferred** | | | | |
| Deferred tax – current year | **–** | – | **–** | – |
| | **–** | – | **–** | – |
| **Reconciliation of the tax expense** | | | | |
| Reconciliation between accounting (profit)/loss and tax expense: | | | | |
| Accounting (profit)/loss | **(252)** | 3 682 | **231** | 1 731 |
| Tax at the applicable tax rate of 27% (2022: 28%) | **(68)** | 1 031 | **62** | 485 |
| **Tax effect of adjustments on taxable income** | | | | |
| Tax effect of non-deductible expenses | **(129)** | (129) | **(129)** | (129) |
| Current year temporary differences for which no deferred income tax asset was recognised | **292** | 529 | **209** | 389 |
| Tax losses for which no deferred income tax asset was recognised | **(100)** | (1 431) | **(147)** | (745) |
| CGT rate differential | **5** | – | **5** | – |
| | **–** | – | **–** | – |
| Estimated tax losses available to be utilised against future taxable income | **47 333** | 46 964 | **43 459** | 42 916 |

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 31. DEFERRED TAX ASSET

| | | | | |
|---|---|---|---|---|
| Temporary differences in respect of property, aircraft and equipment | **(115)** | (120) | **(105)** | (101) |
| Doubtful debts | **173** | 239 | **172** | 215 |
| Air traffic liability and other deferred income | **408** | 500 | **385** | 479 |
| Provisions | **321** | 416 | **128** | 253 |
| Prepayments | **(37)** | (26) | **(37)** | (26) |
| Lease liability | **43** | – | **43** | – |
| Computed tax loss | **12 780** | 13 150 | **11 734** | 12 016 |
| | **13 573** | 14 159 | **12 320** | 12 836 |
| Deferred tax asset not recognised | **(13 530)** | (14 109) | **(12 320)** | (12 836) |
| **Deferred tax asset recognised** | **43** | 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 R13,5 billion (2022: R14,1 billion) in respect of losses amounting to R47,3 billion (2022: R47,0 billion) that can be carried forward against future taxable income. It is anticipated that there will be sufficient taxable income in future periods to support the recognition of the deferred tax asset reflected above.

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **32. TAX PAID** | | | | |
| Tax paid in foreign jurisdictions | **(1)** | (1) | **(1)** | (1) |
| **Tax paid per statement of cash flows** | **(1)** | (1) | **(1)** | (1) |

| R MILLION | 2023 Cost/ valuation | 2023 Accumulated amortisation/ impairment | 2023 Carrying value | 2022 Cost/ valuation | 2022 Accumulated amortisation/ impairment | 2022 Carrying value |
|---|---|---|---|---|---|---|
| **33. INTANGIBLE ASSETS** | | | | | | |
| **GROUP** | | | | | | |
| Software development | **504** | **(416)** | **88** | 504 | (411) | 93 |
| Goodwill* | **35** | **(35)** | **–** | 35 | (35) | – |
| Capital work in progress | **33** | **–** | **33** | 33 | – | 33 |
| **Total** | **572** | **(451)** | **121** | 572 | (446) | 126 |
| **COMPANY** | | | | | | |
| Software development | **381** | **(381)** | **–** | 381 | (381) | – |
| Capital work in progress | **33** | **–** | **33** | 33 | – | 33 |
| **Total** | **414** | **(381)** | **33** | 414 | (381) | 33 |

| R MILLION | Software development | Goodwill* | Capital work in progress | Total |
|---|---|---|---|---|
| **GROUP** | | | | |
| **Reconciliation** | | | | |
| Opening balance | 104 | – | 33 | 137 |
| Amortisation | (11) | – | – | (11) |
| **Balance at 31 March 2022** | 93 | – | 33 | 126 |
| Opening balance | **93** | **–** | **33** | **126** |
| Amortisation | **(5)** | **–** | **–** | **(5)** |
| **Balance at 31 March 2023** | **88** | **–** | **33** | **121** |

| R MILLION | Software development | Capital work in progress | Total |
|---|---|---|---|
| **COMPANY** | | | |
| **Reconciliation** | | | |
| Opening balance | 5 | 33 | 38 |
| Amortisation | (5) | – | (5) |
| **Balance at 31 March 2022** | – | 33 | 33 |
| Opening balance | **–** | **33** | **33** |
| **Balance at 31 March 2023** | **–** | **33** | **33** |

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

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|

## 34. INVENTORIES

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Maintenance inventories | **1 116** | 922 | **–** | – |
| Work in progress | **18** | 34 | **–** | – |
| Consumables | **133** | 108 | **42** | 36 |
| | **1 267** | 1 064 | **42** | 36 |
| Impairment of Inventories | **(658)** | (517) | **–** | – |
| | **609** | 547 | **42** | 36 |
| **Reconciliation of impairment of inventories** | | | | |
| Opening balance | **(517)** | (517) | **–** | – |
| Write-down of inventories recognised as an expense during the year | **(141)** | – | **–** | – |
| **Closing balance** | **(658)** | (517) | **–** | – |

The write-down of inventories relates to the impairment of obsolete aircraft spares. This stock was impaired to its net realisable value.

## 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.

## 36. FAIR VALUE AND TRANSLATION MOVEMENTS

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **Foreign exchange (gain)/loss on translation of:** | | | | |
| Foreign cash balances | **(28)** | 108 | **(28)** | 109 |
| Foreign currency denominated net receivables | **153** | (120) | **151** | (18) |
| Net monetary assets and liabilities | **(309)** | (5) | **(298)** | (6) |
| **Total fair value and translation movements** | **(184)** | (17) | **(175)** | 85 |

## 37. OTHER COMPREHENSIVE INCOME

| R MILLION | Gross | Tax | Net |
|---|---|---|---|
| **COMPONENTS OF OTHER COMPREHENSIVE INCOME** | | | |
| **GROUP – 2023** | | | |
| **Movements in other reserves** | | | |
| Remeasurement of SAA German Pension Fund | **79** | **–** | **79** |
| Remeasurement of SAA subfund of Transport Pension Fund | **1** | **–** | **1** |
| Remeasurement of post-retirement medical benefits | **22** | **–** | **22** |
| | **102** | **–** | **102** |
| **Movements in revaluation reserve** | | | |
| Gain on property revaluations | **3 784** | **–** | **3 784** |
| **Total** | **3 886** | **–** | **3 886** |
| **GROUP – 2022** | | | |
| **Movements in other reserves** | | | |
| Remeasurement of SAA German Pension Fund | 17 | – | 17 |
| | 17 | – | 17 |
| **COMPANY – 2023** | | | |
| **Movements in other reserves** | | | |
| Remeasurement of SAA German Pension Fund | **79** | **–** | **79** |
| Remeasurement of SAA subfund of Transport Pension Fund | **1** | **–** | **1** |
| Remeasurement of post-retirement medical benefits | **22** | **–** | **22** |
| | **102** | **–** | **102** |
| **Movements in revaluation reserve** | | | |
| Gain on property revaluations | **2 424** | **–** | **2 424** |
| **Total** | **2 526** | **–** | **2 526** |
| **COMPANY – 2022** | | | |
| **Movements in other reserves** | | | |
| Remeasurement of SAA German Pension Fund | 17 | – | 17 |
| | 17 | – | 17 |

## 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 2022/2023 compared to the 2021/2022 financial year:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **R MILLION** | **2023** | **2022 Restated*** | **2023** | **2022 Restated*** |
| **Irregular and fruitless and wasteful expenditure** | | | | |
| Irregular expenditure | **223.0** | 39 177.8 | **157.2** | 19 750.8 |
| Fruitless and wasteful expenditure | **0.3** | 207.5 | **0.3** | 20.6 |
| **Total irregular, fruitless and wasteful expenditure awaiting writing-off/ recoveries/condonement** | **223.3** | 39 385.3 | **157.5** | 19 771.4 |

Section 55(2)(b)(i) of the PFMA requires that the particulars of any irregular expenditure, fruitless and wasteful expenditure as well as 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 & procedures and the approved Delegation of Authority. Irregular expenditure is reported in these financial statements regardless of whether the non-compliance was deliberate or accidental, or if it happened unknowingly or in good faith, or if value was received or not.

Any contravention of an applicable law, regulation or policy 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, or that it was fruitless and wasteful expenditure or that the group did not attain value from the transaction(s). For this financial year under review, the SAA Group received value out of the reported irregular expenditure.

The irregular expenditure was mostly as a result of legacy month-to-month contracts, deviations (confinements) and legacy expired contracts exceeding the 15%/R15 million term expansion as provided for in the National Treasury Instruction Note of 2021/22.

Due to the financial challenges faced by the SAA Group and for business continuity, the Group continued to extend several contracts that expired on a month-to-month basis and deviated from the process (on international procurement where tender process is difficult to follow and bidders not willing to complete SBD Forms) and goods and services procured through a confinement process which National Treasury has not yet approved. The fruitless and wasteful expenditure relates to fines/penalties that the SAA Group received and paid in the 2022/23 FY. The total irregular expenditure (2022/23: R223 million (SAA Group) : R157 million (SAA Company) and the amount of R311 thousand (SAA Group) and R287 thousand (SAA Company) of fruitless and wasteful expenditure that were incurred. The irregular expenditure was as a result of contracts previously extended when SAA restarted operations, which include confinements which were not approved by National Treasury. The fruitless and wasteful expenditure was as a result of penalties and interest on late payments. SAA will follow a condonation process through a request to the National Treasury or the SAA Board of Directors will be approached to remove irregular expenditure and write-off fruitless and wasteful expenditure from the register. The SAA Group Supply Chain Management Policy and Delegation of Authority have been revised and approved by the SAA Board of Directors to bring in efficiency and agility into the business. The aforementioned documents have been aligned with the National Treasury issued Instruction Notes to ensure compliance.

The Group is planning to appoint a service provider to verify the fruitless and wasteful expenditure and to revisit the irregular expenditure population for completeness of the opening balances. This exercise could not be undertaken internally due to lack of internal resources and required expertise. The exercise will assist the SAA Group to submit a complete register for condonement and for writing-off of fruitless and wasteful expenditure. As required by the PFMA, this process will investigate and identify officials responsible for causing or permitting irregular and fruitless and wasteful expenditure, determining any losses suffered as a result of the irregular and fruitless and wasteful 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 2022/2023 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 proclamation, and criminal cases have been registered with DPCI and the 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 have already been 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 2023 | COMPANY 2022 |
|---|---|---|
| **39. INVESTMENTS IN SUBSIDIARIES** | | |
| Shares at cost | **7 263** | 6 908 |
| Impairment of investments in subsidiaries | **(5 544)** | (5 027) |
| | **1 719** | 1 881 |

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

| | | PERCENTAGE HOLDING | | R MILLION SHARES AT COST | |
|---|---|---|---|---|---|
| **Name of company** | **Shares** | **2023** | **2022** | **2023** | **2022** |
| Mango Airlines SOC Limited | 1 120 | **100** | 100 | **1 070** | 756 |
| SAA Technical SOC Limited | 3 649 | **100** | 100 | **5 608** | 5 608 |
| Air Chefs SOC Limited | 837 | **100** | 100 | **583** | 542 |
| South African Airways City Center SOC Limited | 1 000 | **100** | 100 | **2** | 2 |
| | | | | **7 263** | 6 908 |
| Impairment of investments in subsidiaries | | | | **(5 544)** | (5 027) |
| | | | | **1 719** | 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 loss in subsidiaries for the year amounted to R45 million (2022: loss of R2 825 million).

| R MILLION | COMPANY 2023 | 2022 |
|---|---|---|
| **40. AMOUNTS RECEIVABLE FROM SUBSIDIARIES** | | |
| **SUBSIDIARIES** | | |
| Mango Airlines SOC Limited | **327** | 327 |
| SAA Technical SOC Limited | **–** | 94 |
| South African Airways City Center SOC Limited | **20** | 20 |
| | **347** | 441 |
| Impairment of loans to subsidiaries | **(347)** | (347) |
| | **–** | 94 |
| Non-current assets | **–** | 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. 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 2023, the amount receivable from Mango has also been impaired in full.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| R MILLION | 2023 | 2022 | 2023 | 2022 |
| **41. INVESTMENTS** | | | | |
| **Investment in share trust** | | | | |
| South African Airways Employee Share Trust | **–** | – | **157** | 157 |
| Impairment of the loan to South African Airways Employee Share Trust | **–** | – | **(157)** | (157) |
| | **–** | – | **–** | – |

## 42. SHARE CAPITAL

| NUMBER OF SHARES MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **Authorised** | | | | |
| 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 |
| **Issued** | | | | |
| Ordinary no par value shares | **13 399** | 13 384 | **13 399** | 13 384 |
| | **13 399** | 13 384 | **13 399** | 13 384 |

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.

| NUMBER OF SHARES MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **Reconciliation of number of shares issued:** | | | | |
| Opening balance | **13 384** | 13 244 | **13 384** | 13 244 |
| Recapitalisation issue – ordinary no par value shares issued during the year | **15** | 140 | **15** | 140 |
| | **13 399** | 13 384 | **13 399** | 13 384 |

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **Reconciliation of Rand value of shares issued:** | | | | |
| Balance at the beginning of the year | **57 726** | 33 392 | **57 960** | 33 626 |
| Shares issued during the year in respected of contributed capital | **2 302** | 24 334 | **2 302** | 24 334 |
| **Balance at the end of the year** | **60 028** | 57 726 | **60 262** | 57 960 |

| R MILLION | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **43. SHAREHOLDER CONTRIBUTION** | | | | |
| Balance at the beginning of the year | **719** | 18 275 | **719** | 18 275 |
| Contribution made by shareholder during the year | **1 583** | 6 778 | **1 583** | 6 778 |
| Shares issued during the year in respected of contributed capital | **(2 302)** | (24 334) | **(2 302)** | (24 334) |
| **Balance at the end of the year** | **–** | 719 | **–** | 719 |

During the 2022 financial year, an amount of R719 million invested in the company by the Shareholder was not converted into share capital before year end. The shares were issued during the 2023 financial year.

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

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

| R THOUSAND | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **RELATED PARTY BALANCES** | | | | |
| **Amounts receivable from related parties*** | | | | |
| Subsidiaries | **–** | – | **–** | 94 098 |
| Public entities | **–** | – | **–** | – |
| | **–** | – | **–** | 94 098 |
| **Amounts payable to related parties**** | | | | |
| Subsidiaries | **–** | – | **23 535** | 8 362 |
| Public entities | **4 196** | 6 247 | **65** | 160 |
| | **4 196** | 6 247 | **23 600** | 8 522 |

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

| R THOUSAND | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| **44. RELATED PARTIES (continued)** | | | | |
| **RELATED PARTY TRANSACTIONS** | | | | |
| **Sales of goods/services** | | | | |
| Subsidiaries | **–** | – | **65 031** | 63 819 |
| Public entities | **317** | 234 | **317** | 234 |
| | **317** | 234 | **65 348** | 64 053 |
| **Purchases of goods/services** | | | | |
| Subsidiaries | **–** | – | **499 851** | 201 378 |
| Public entities | **166 549** | 77 005 | **162 121** | 64 116 |
| | **166 549** | 77 005 | **661 972** | 265 494 |
| **Other transactions** | | | | |
| Key management personnel* | **23 085** | 25 823 | **15 860** | 13 977 |
| | **23 085** | 25 823 | **15 860** | 13 977 |

* *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.*

| R THOUSAND | DIRECTORS' FEES 2023 | DIRECTORS' FEES 2022 |
|---|---|---|
| Non-executive compensation is set out below: | | |
| **BOARD OF DIRECTORS** | | |
| **Non-executive** | | |
| Mr MP Tshisevhe(1) | **–** | 71 |
| Prof EL Van Harte(2) | **–** | 215 |
| Ms MMB Zwane | **356** | 296 |
| Mr NO Fadugba | **356** | 239 |
| Ms JB Crawford(3) | **–** | 40 |
| Mr MG Qhena(4) | **–** | 185 |
| Prof MJ Lamola(5) | **66** | 553 |
| | **778** | 1 599 |

*(1) Resigned 22 July 2021.*
*(2) Resigned 7 December 2021.*
*(3) Resigned 7 June 2021.*
*(4) Resigned 30 June 2021.*
*(5) Appointed 14 July 2021.*

## 44. RELATED PARTIES (continued)

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.

| R THOUSAND | Salaries | Allowances | Other benefits(1) | Total |
|---|---|---|---|---|
| **SHORT-TERM EMPLOYEE BENEFITS 2023** | | | | |
| **Executive directors(2)** | | | | |
| Mr T Kgokolo(3) | **315** | **3** | **229** | **547** |
| Mr Z Mhlontlo | **2 851** | **32** | **–** | **2 883** |
| Prof MJ Lamola(4) | **3 465** | **29** | **–** | **3 494** |
| | **6 631** | **64** | **229** | **6 924** |
| **Executive Committee** | | | | |
| Capt S Reiling(5) | **454** | **5** | **196** | **655** |
| Ms M Letlape | **2 592** | **32** | **–** | **2 624** |
| Mr S Newton-Smith(6) | **2 244** | **100** | **238** | **2 582** |
| Mr M Nkalane(7) | **1 310** | **132** | **99** | **1 541** |
| Mr T Tsimane(8) | **1 534** | **–** | **–** | **1 534** |
| | **8 134** | **269** | **533** | **8 936** |

*(1) Other benefits relate to amounts paid on termination of contract in the case of Executive Committee members that left SAA during the 2022/2023 financial year and leave pay paid out in the case of Executive Committee members still at SAA as at 31 March 2023.*
*(2) Executive directors of the Board are also members of the Executive Committee.*
*(3) Resigned 30 April 2022.*
*(4) Appointed as Interim CEO 1 May 2022.*
*(5) Resigned 31 May 2022.*
*(6) Resigned 28 August 2022.*
*(7) Appointed 1 May 2022.*
*(8) Appointed 1 June 2022.*

| R THOUSAND | Salaries | Allowances | Total |
|---|---|---|---|
| **SHORT-TERM EMPLOYEE BENEFITS 2022** | | | |
| **Executive directors(1)** | | | |
| Mr T Kgokolo(2) | 3 604 | 16 | 3 620 |
| Mr Z Mhlontlo(3) | 2 798 | 16 | 2 814 |
| | 6 402 | 32 | 6 434 |
| **Executive Committee** | | | |
| Capt S Reiling(2) | 2 595 | 16 | 2 611 |
| Ms M Letlape(3) | 2 544 | 16 | 2 560 |
| Mr S Newton-Smith(4) | 2 372 | – | 2 372 |
| | 7 511 | 32 | 7 543 |

*(1) Executive directors of the Board are also members of the Executive Committee.*
*(2) Appointed 13 April 2021.*
*(3) Appointed 1 April 2021.*
*(4) Appointed 1 August 2021.*

## 45. 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.

**STRATEGIC EQUITY PARTNERSHIP PROCESS**

During June 2021 the Department of Public Enterprises announced the sale of a 51 percent stake in SAA to the Takatso Consortium. Despite the necessary due diligence exercises being concluded and some of the regulatory approvals sought, an announcement was made on 13 March 2024 by the Minister of Public Enterprises that both parties had agreed not to continue with the transaction.

**FUNDING FOR BUSINESS RESCUE**

On 3 April 2023 the shareholder provided a R1 billion capital injection to SAA to be used for liabilities associated with the business rescue plan.

**BUSINESS RESCUE PROCESS CONCLUDED**

As directed by the creditors approved business rescue plan, the final dividend payments were made to concurrent creditors and lessors during August and September 2024. There are no further claims to be settled.

**INCREASE IN FLEET**

SAA received approval from the Minister of Public Enterprises and the Minister of Finance to increase the size of the fleet by six aircraft (five x A320's and one x A330-300) during 2023/24. SAA will acquire these aircraft by way of operating leases. This will enable SAA to scale up operations in line with the vision in its corporate plan.

While SAA received the approval at the start of the financial year, due to the lease market being negatively impacted by constraints in the aircraft manufacturing supply chain, only two of these aircraft were received by SAA during the 2023/24 financial year. The remaining four A320's were only delivered to SAA during the first half of the 2024/25 financial year.

In April 2024 SAA submitted a section 54 application to the shareholder for permission to acquire a further eight aircraft (five x A320's, two x A330-300's and one A340-300) during 2024/25. This would increase the fleet to 21 aircraft. Approval was received by the Minister of Finance in May 2024. SAA has identified the aircraft to be leased and secured them by way of Letters of Intent for delivery during the financial year.

SAA also received permission to extend current aircraft leases for between six to twelve years as deemed necessary.

**DISPOSAL OF A340 FLEET**

In 2022 SAA entered into a sale agreement with an airline operator to acquire the A340 fleet that SAA had identified as surplus to requirements. The aircraft will be made airworthy by SAA Technical whereafter they will be delivered to the buyer. One aircraft was sold and delivered during 2023 with the second aircraft being delivered in July 2024. SAA has negotiated with the buyer to remove one A340-300 from the pool of sale constituents in order that SAA can utilise that aircraft to support the operations to Perth.

**MANGO BUSINESS RESCUE STATUS**

Mango entered business rescue during July 2021. To date the business rescue process has not concluded however the business rescue practitioner is in ongoing discussions with an investor for purpose of finalising the relevant transaction agreements.

**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 D Hanekom (Interim Chairperson), Ms F Gany, Ms F Sithebe, Adv J Weapond, Mr D Sangweni and Mr M Mazwi. Professor Lamola stepped down as Chairperson and was appointed Interim Chief Executive Officer.

**Executive Director Movements**

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.

**Shareholder Ministry**

Post the 2024 National elections in May 2024, SAA was moved to the Ministry of Planning, Evaluation and Monitoring in the Presidency who become the new oversight ministry for the airline. However on 26 August 2024, a proclamation was issued announcing that the Transport Ministry would be the oversight ministry for SAA going forward.

**SIGNIFICANT IMPAIRMENTS**

SAA was unable to repatriate monies owing for ticket sales amounting to approximately USD 87,9 million due to the liquidity crisis in Zimbabwe. This amount was impaired in full in the 2019 financial year as it was doubtful that the funds would be collectable. SAA has managed to access some funds and utilised them within Zimbabwe as well as repatriate small amounts to South Africa over time. The current balance in Zimbabwe stands at USD 59 million.

**SAA EMPLOYEES SHARE TRUST**

On 30 July 2024 the Minister of Planning, Evaluation and Performance in the Presidency approved SAA's request to sell the remaining shares held by the share trust to the Government of the Republic of South Africa. The Minister also approved the deregistration of the Trust.

## 45. EVENTS SUBSEQUENT TO THE REPORTING DATE (continued)

**RELEASE OF EXPIRED TICKETS**

On March 27, 2020, the SAA Business Rescue Practitioners announced the suspension of flights across SAA's entire network following the South African government's nationwide lockdown aimed at controlling the spread of COVID-19.

To accommodate the travel disruptions caused by the lockdown and to support SAA's customers, the airline introduced measures allowing holders of unused tickets to reschedule their travel to a time beyond the lockdown and flight suspensions. To demonstrate its commitment to customers, SAA extended the validity of tickets beyond the industry standard of six months for domestic travel and twelve months for international travel. Initially, the expiration date was set at March 31, 2022. However, following SAA's restart of operations in September 2021, this expiration date was extended by a year to March 31, 2023.

SAA provided various communication via its website reminding passengers of the options available to passengers holding unutilised tickets. The final communication about these options was posted on the SAA website on March 17, 2023. Customers were reminded that their travel credit vouchers/tickets would expire on March 31, 2023, that they needed to select one of the available options and notify SAA by April 17, 2023.

At the end of April 2023, SAA activated and executed the automatic expiration of tickets that qualified for expirations. Tickets and vouchers not exercised according to the options communicated on March 17, 2023, were automatically expired.

## 46. GOING CONCERN

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

**BUSINESS RESCUE**

SAA was placed in business rescue on 5 December 2019. Since then the shareholder has invested R24,9 billion cash into the business, both to support the company during the business rescue process, repay legacy debt and to fund the business rescue plan. SAA emerged from business rescue 17 months later on 30 April 2021 as a company that was both liquid and solvent.

The business rescue process allowed SAA to restructure both its operations and its balance sheet. Headcount was reduced by 79 percent to less than 1 000 personnel, the leased aircraft were returned to the lessors and the company entered into significant compromises with its creditors and lessors. The final payments to creditors and lessors in terms of the approved business rescue plan were made in August 2023. There are no further payments due to any creditor or lessor in terms of the business rescue plan. All legacy debt has been repaid to the lenders 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. A process to dispose of a significant portion of its shareholding was embarked on by the shareholder, and an agreement was entered into during 2021 with the Takatso Consortium to dispose of 51 percent of the government's shareholding. However, on 13 March 2024 it was announced that the deal was no longer going ahead. SAA will remain owned by the Government of South Africa for the foreseeable future.

**OPERATIONS AND OUTLOOK**

SAA restarted operations in late September 2021 with six leased aircraft operating five routes. Today SAA operates to 14 destinations and has received approval to increase its fleet size from 9 to 21 aircraft during the 2024/25 financial year. SAA has secured all the aircraft required by way of Letter of Intent. Contracting with the various lessors is underway. These additional aircraft will allow SAA to increase its geographical footprint and also provide additional services on existing routes, thus providing the connectivity and flexibility customers require.

The company posted a profit (unaudited as yet) for the 2023/24 financial year, its second full year of commercial flying operations since business rescue. This was achieved with a fleet of nine aircraft, assisted by additional capacity leased in over the peak season. While SAA had approval to lease a further four aircraft during the year, the global shortage of appropriate aircraft available for lease negatively impacted on the fleet size, hence the need for short-term leases. The budget for the 2024/25 financial year is based on an operational fleet of 16 aircraft (ten narrow bodies and six wide bodies) with additional capacity added via short-term leases over the peak season. The aircraft will be received into operation during the year in a phased approach. SAA will add additional frequencies to a number of routes in the domestic and regional market. It is anticipated that the intercontinental routes will also be densified as additional aircraft become available.

The regional network footprint will also be further expanded in the next 12 months, with up to five 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. This expansion will enable the airline to post profits over the next five years, enhancing its ability to continue as a going concern.

The operational performance to date has been aligned with the budget. This is in spite of the fact that there has been a delay in the timing of the entry into service of the additional aircraft. SAA has contracted additional aircraft under short-term leases on an ACMI (aircraft, crew, maintenance and insurance) basis for the second half of the year to ensure it is able to continue with its expansion plans as the additional leased aircraft are brought into service. This will also ensure that the company is able to take advantage of the peak season traffic.

## 46. GOING CONCERN (continued)

Both SAAT and Air Chefs were significantly restructured in recent years, with Air Chefs recording a profit for the year against a prior year 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 was requested for this disposal. Should it not be given, the company will be voluntarily wound down by the business rescue practitioners.

Currently, Group assets of R11,5 billion exceed liabilities of R6,8 billion, reflecting net positive equity of R4,7 billion while at a company level, SAA has assets of R9,4 billion, liabilities of R4,8 billion, and equity of R4,6 billion.

**CASH AND FUNDING**

SAA received R1 billion of the outstanding business rescue funds on 3 April 2023. These funds were used in August 2023 to settle the remaining business rescue obligations. Subsequent to the announcement of the termination of the SEP deal, SAA will no longer be receiving the additional funding of R3 billion over a three-year period. SAA reviewed its business plan for the foreseeable future and analysed the cash requirements for the next 12 months based on the budget. SAA is comfortable that it will have sufficient cash to meet its operating requirements. SAA will, however, work to acquire a funding facility from lenders of an estimated R1 billion to enable the company to have a comfortable cash buffer to protect it against unforeseen events.

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.

**OTHER CONSIDERATIONS**

SAA has significant property assets that are unencumbered and could be used as collateral to raise funding when required.

Post the termination of the SEP deal the board of SAA has taken the necessary steps to stabilise the executive management structure by recruiting to fill the positions held since restart by individuals who were appointed on an interim or acting basis. Current incumbents in these positions have also been encouraged to apply.

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 expected progress in the implementation of the expansion plan and the successful implementation of the plan will determine the future of the company.

The company expects to secure a facility from lenders of R1 billion to provide a buffer against unforeseen events that may occur.

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 be satisfied that the group has access to adequate resources and facilities to be able to continue managing these strategies as a priority as it is important that they materialise as envisaged. The board therefore concluded its operations for the foreseeable future as a going concern with material uncertainties.

# Corporate information

## COUNTRY OF INCORPORATION AND DOMICILE
The Republic of South Africa

## COMPANY REGISTRATION NUMBER
1997/022444/30

## SAA GROUP BOARD
As at the date of finalisation of these Annual Financial Statements the SAA Board comprised of the following members:

**Non-executive Directors**

Mr D Hanekom (Interim Chairperson)

Ms F Gany (Interim Board Member)

Ms F Sithebe (Interim Board Member)

Adv J Weapond (Interim Board Member)

Mr D Sangweni (Interim Board Member)

Mr M Mazwi (Interim Board Member)

**Executive Directors**

Prof MJ Lamola (Interim Group Chief Executive Officer)

Ms L Olitzki (Interim Chief Financial Officer)

## COMPANY SECRETARY
Ms Ruth Kibuuka

## BANKERS
Standard Bank Limited

Nedbank, a division of Nedbank Group Limited

Citibank of South Africa Proprietary Limited

## AUDITORS
Auditor-General of South Africa
4 Daventry Street
Lynnwood Bridge Office Park
Lynnwood Manor

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