ATNS CELEBRATING 25 years 1993 - 2018

AIR TRAFFIC & NAVIGATION SERVICES

ATNS

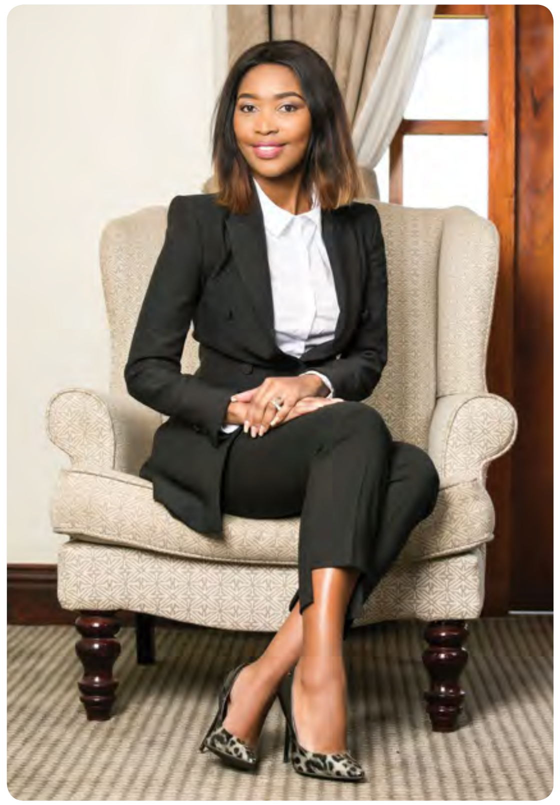
AIR TRAFFIC & NAVIGATION SERVICES SOC LIMITED

FINANCIAL REPORT 2019

Contents

Certificate by the Company Secretary

In my capacity as a Company Secretary, I hereby confirm, in terms of Section 88 (2)e, of the companies Act, (No. 71 of 2008) that for the year ended 31 March 2019, the company has lodged with the Registrar of Companies, all such returns that are required by the public company in terms of this Act and that such returns are true, correct and up to date.



Ayanda Manqele
Company Secretary (Acting)
29 July 2019

Audit and Risk Committee Report

The Audit and Risk Committee (the committee) is pleased to present its report for the financial year ended 31 March 2019.

This independent statutory committee is appointed by the Shareholder. The committee's statutory responsibilities are defined by the Public Finance Management Act (PFMA) and the Companies Act and it has further responsibilities delegated to it by the board.

ABOUT THE COMMITTEE

The committee operates under a formal terms of reference which has been approved by the board. The committee has conducted its affairs and discharged its responsibilities in accordance with the terms of reference.

Committee members

The committee should comprise at least three directors who are considered independent non-executive directors in terms of both the Companies Act and King IV™.

Membership of the committee during the year under review was as follows:

Role and responsibilities

The committee's roles and responsibilities include, but are not limited to:

- Reviewing the effectiveness of the internal control systems regarding finance, accounting, legal compliance and ethics that management and the board have established
- Overseeing the risk management process, including the consideration of the risk management policy and plans of the company, and the significant risks facing the company
- Overseeing the auditing, accounting and financial reporting processes
- Reviewing and appraising the performance of external auditors and the internal audit function
- Overseeing internal audit and integrated reporting
- To report on the quality of the management and monthly or quarterly reports submitted in terms of the PFMA and/or any applicable legislation

Directors	Date Appointed	Date Resigned/Retired/Terminated
S. Badat (Chairperson)	25 April 2018	–
K.S Boqwana	25 April 2018	–
K.N Vundla	25 April 2018	–
S. Thobela	24 May 2018	11 September 2018
Z. Myeza	10 December 2018	–
D.G Mwanza	17 November 2017	31 August 2018
T. Kgokolo	25 April 2018	1 October 2018

The committee met 14 times during the year under review. The table on pages 135 to 136 of the Integrated Report references attendance at these meetings. The Chief Financial Officer (CFO), Chief Audit Executive, and external auditor regularly attend meetings by invitation.

- Ensuring that a combined assurance model is applied to provide a coordinated approach to all assurance activities
- Assisting the board in discharging its duties relating to compliance with good corporate governance and the company's Code of Ethics, the safeguarding of assets and the operation of adequate internal systems and control processes
- Ensuring that independent assurance is provided on the IT governance and controls supporting the company's IT services

Execution of statutory and delegated duties

In executing its duties as set out in its terms of reference, the committee has, inter alia, performed oversight as set out in the sections to follow:

External auditor

The committee considered the following:

- Appointment of the external auditor in terms of the Companies Act and other applicable requirements
- External audit plan
- The audit fee
- Terms of engagement
- The independence and objectivity of the external auditors
- Accounting and auditing concerns identified by the external auditors

Non-audit services provided by the external auditors

No non-audit fees were paid to the external auditors for the year under review. A policy detailing the procedure for appointing external auditors to carry out non-audit services has been implemented.

Internal control, risk governance, legal and regulatory compliance and safety management

Based on the results of internal and external audit reports, and information and explanations provided by management, the committee is of the view that the systems of internal control, risk governance and legal and regulatory compliance are partially effective and require improvement. Further, certain operational safety targets for the year under review were not achieved.

Irregular expenditure relating to the current year amounted to R32 million and the cumulative irregular expenditure balance as at 31 March 2019 was R118 million. Processes have been established to deal with this irregular expenditure in accordance with National Treasury regulations.

The necessary measures are being taken to remediate the deficiencies identified relating to governance, risk management, safety management and compliance.

Integrated reporting

The committee considered the following:

- The annual financial statements for fair presentation with the relevant requirements of the PFMA, Companies Act and International Financial Reporting Standards (IFRS)
- The reliability and accuracy of financial and non-financial information provided by management
- Risks that may impact the integrity of the Integrated Report
- Disclosure of sustainability information in the Integrated Report to ensure its reliability and consistency with the financial results

Going concern

A documented assessment has been reviewed by the committee, including key assumptions prepared by management of the going-concern status of the company and the committee is satisfied that the adoption of the going concern basis for the preparation of the annual financial statements is appropriate.

Internal audit

The committee considered the following:

- Internal Audit Charter
- Annual audit plan including the alignment of the audit plan with the company's key risks
- Internal audit reports
- Management action plans
- Co-ordination with external auditors
- The independence and effectiveness of the function
- An external quality assessment of the internal audit function was completed during the reporting year. The review raised significant findings relating to, inter alia, non-conformity with the Institute of Internal Auditors (IIA) standards and the capacity of the internal audit function. The findings from the review are receiving the necessary attention.

Combined assurance

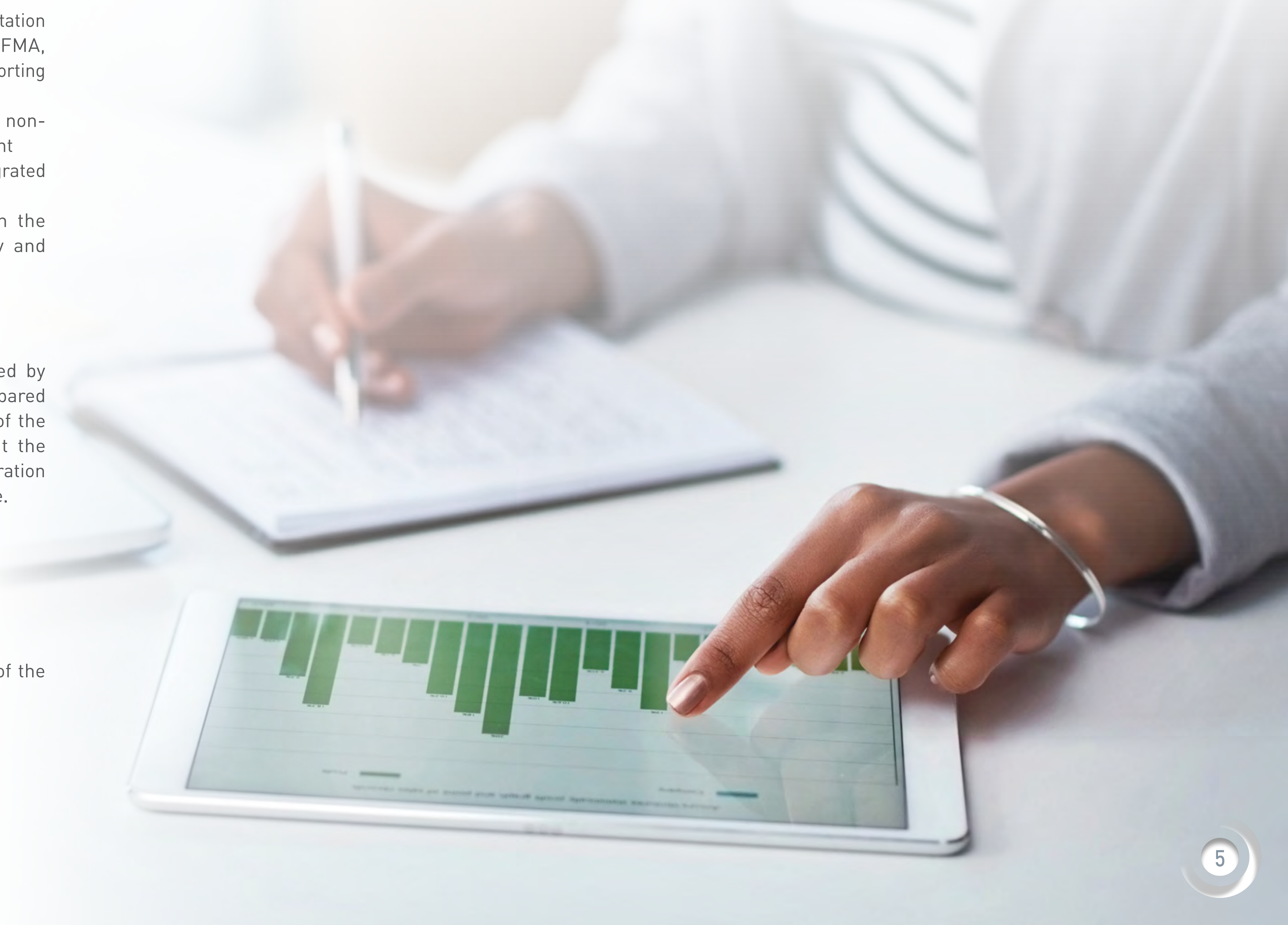
A combined assurance framework was approved by the committee during the reporting year, but the framework is still to be operationalised. This is receiving the required attention from management.

Evaluation of the CFO and Finance function

The committee is satisfied that the Acting CFO has the appropriate qualifications and experience. The finance function has experienced certain challenges with regard to its capacity and structure. These challenges are in the process of being addressed by management.

On behalf of the Audit and Risk Committee

Suleman Badat
Chairman
29 July 2019



Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act, No. 71 of 2008 and the Public Finance Management Act, No. 1 of 1999 to maintain adequate accounting records. The directors are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March, 2020 and, in light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 11 to 17.

The financial statements set out on pages 18 to 79, which have been prepared on the going concern basis, were approved by the Board of Directors on 29 July 2019:

Signed on behalf of the Board of Directors by:

Simphiwe Thobela
Chairman

Thomas Kgokolo
Interim CEO

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Air Traffic and Navigation Services SOC Limited for the year ended 31 March, 2019.

1. Nature of business

Air Traffic and Navigation Services SOC Limited was incorporated in South Africa. The company operates mainly in South Africa and also in other African countries.

The company is principally engaged in the supply of air traffic and navigation services and the maintenance of the air traffic and navigation infrastructure. Other operations of the company include the supply of aeronautical information services, technical and aerodrome services, aeronautical communication Very Small Aperture Terminal (VSAT) network and the training of air traffic control and technical staff for a larger market extending outside of South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Governance environment

ATNS is a state owned company incorporated under the Air Traffic and Navigation Services Company Act of 1993 (Act 45, 1993) as a limited liability company. The Government of South Africa, through the Minister of Transport, is the sole shareholder. ATNS falls under the governance umbrella created by the Public Finance Management Act (Act 1,1999) and related regulations and guidelines issued by National Treasury.

In compliance with the requirements of the PFMA, ATNS concludes an annual Shareholder's Compact with the Shareholder representative. The Shareholder's Compact contains Shareholder expectations in the form of predetermined objectives and key performance information and ensures that the board and the Shareholder representative are aligned in their understanding and acceptance of strategic objectives. Progress on performance is regularly reviewed by the board and reported to the Shareholder representative quarterly.

The directors are fully committed to conducting business in accordance with generally accepted corporate practices. Although the board is accountable to the Minister, and acts in the interests of the company, its inclusive decision accommodates the legitimate interest and expectations of its stakeholders.

The directors support the notion that good governance is essentially about effective and ethical leadership and that sustainability is a moral and economic imperative.

3. Safety regulation

The company is regulated by the South African Civil Aviation Authority (SACAA) as mandated under the Civil Aviation Act, 2009, (Act No.13 of 2009) as amended in 2016. The company continues to adopt leading practices and to be agile in the approach to continuously comply with applicable legal requirements.

4. Economic regulation

As a monopoly, the company is regulated economically by the Regulating Committee that is a statutory body formed and appointed by the Shareholder. The Air Traffic and Navigation Services Company Act (45 of 1993) requires ATNS to seek permission from the Regulating Committee to levy air traffic services charges, provide air navigation infrastructure and conduct air traffic services and air navigation services. The Regulating Committee issued the 2018/19 – 2022/23 Permission on 6 August 2018 in accordance with Section 11 of the ATNS Company Act, Act 45 of 1993, authorising the company to levy air traffic services charges, provide air navigation infrastructure and conduct air traffic services and air navigation services from 1 April 2018 to 31 March 2023, thus 2018/19 was the first year of the current Permission.

5. Overall performance

During the year under review, ATNS posted solid results considering the tough economic conditions experienced by most airlines. The total revenue increased by 4.7% to R1,67 billion (2018: R1,59 billion), driven by the 7.5% tariff increase that was effected, leading to the increased tariff revenue of R1,48 billion.

The billable movements, in comparison with the prior year, decreased by 2.6% (2018: 0.43% increase) mainly due to tough economic conditions.

Numerous cost containment initiatives implemented throughout the company helped to limit the increase in net operating expenses. This resulted in operating costs increasing by 8.2% to R1,42 billion (2018: R1,31 billion) mainly due to increased staff costs, telecommunication expenses, corporate social investment projects as well as the impact of the fluctuating foreign exchange rates on our repairs maintenance, and contract maintenance costs.

Capital expenditure was at R252 million (2018: R305 million) mainly due to fewer projects carried out during the year under review.

Our balance sheet maintained its strength with liquidity ratio of 4.61:1 (2018: 4.33:1) and our gearing is at 0.3% (2018:0.5%). This puts the company in a better position to raise funding for the imminent capital expenditure.

The return of capital employed (ROCE) is 11.94% (Regulated ROCE 13.18%). The ROCE is a measure of the extent to which a company utilises its resources efficiently to generate profits.

Cash generated from operations increased by 7.9% to R395 million (2018: R366 million) mainly due to cost containment a well as improved collections of debt from customers.

6. Dividends

No dividends were declared or paid to the Shareholder during the year (2018: R0).

7. Share capital

The sole shareholder of the company is the Minister of Transport, on behalf of the government of South Africa, in terms of section 6(5) of the Air Traffic and Navigation Services Company Act 1993 (Act 45 of 1993). There were no changes in the authorised or issued share capital of the company during the year under review.

8. Capital commitments

The company's total capital commitments for the year under review was R373 million (2018: R432 million).

At present the company is in a good position to fund the capital expenditure through cash generated from operations.

9. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for those noted in the financial statements.

10. Adoption of International Financial Reporting Standards

The company's financial statements are presented in accordance with the IFRS which is contrary to chapter 28 of the Treasury Regulations which specifies that the Statements of Generally Accepted Accounting Principles (GAAP) should be used.

This departure was subsequently approved in terms of section 79 of the PFMA by the Accountant General of National Treasury and remains in effect until further notice or amendment to the Treasury Regulations.

11. Directorate

The directors of the company during the year and to the date of this report were as follows:

Directors	Date Appointed	Capacity	Nationality	Date Resigned/ Retired/Terminated
S. Thobela*	21 May 2018	Chairman	South African	–
T. Kgkolo**	01 October 2018	CEO (Interim)	South African	–
M. Moholola	01 October 2017	CFO (Acting)	South African	–
K.N. Vundla	13 April 2018	Non-executive	South African	–
L.N. Ngema	13 April 2018	Non-executive	South African	–
Z.G. Myeza	13 April 2018	Non-executive	South African	–
S. Badat	13 April 2018	Non-executive	South African	–
K.S. Boqwana	13 April 2018	Non-executive	South African	–
N. Kubheka	22 August 2018	Non-executive	South African	–
C.R. Burger	01 February 2019	Non-executive	South African	–
J.C. Trembath	01 February 2019	Non-executive	South African	–
W. Ndlovu	01 April 2013	CFO (Former)	South African	28 May 2018
D.S.T. Mthiyane	05 July 2013	CEO (Former)	South African	30 September 2018
E.M. Mphahlele	01 September 2015	Chairman (Former)	South African	08 August 2018
D.G. Mwanza	01 September 2015	Non-executive	South African	31 August 2018
E.L. Letlape	13 April 2018	Non-executive	South African	10 May 2018

* S. Thobela was appointed as the Chairman of the board effective 14 August 2018.

** T. Kgkolo was appointed as a non-executive director effective 13 April 2018 and he took up the role of Interim CEO 01 October 2018.

12. Events after the reporting period

Directors are not aware of any significant events that occurred after the reporting date that would require adjustments to or disclosure in the financial statements. Furthermore management is not aware of any circumstances which exist that would impede the company's ability to continue as a going concern.

The company's Board of Directors resolved at a special board meeting held on 2 April 2019 to extend Mr. Thomas Kgokolo's contract from 2 April to 1 July 2019. The board further resolved at a Special Board meeting to extend the contract by six months, from 2 July 2019 to until 01 December 2019. The extension will allow the board and the Shareholder to finalise the recruitment process of the permanent CEO. The contract of the Company Secretary, Mr. Solomon Mngomezulu ended on the 2 April 2019.

13. Going concern

The directors consider that the company has adequate resources to continue operating for the foreseeable future and therefore consider it appropriate to adopt the going concern basis in preparing the company's financial statements. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

14. Prior year's misstatements

Assets

During the physical assets verification exercise conducted in March 2019 there were assets that were identified on the floor which could not be traced or linked to the fixed assets register due to insufficient documentation in the old fixed assets register. These were accounted as at 01 April 2017 as this was the most practical year to restate an amount of R32 million relating to the newly identified assets. Refer to note 33 to the financial statements for further information.

Provisions

During the year under review the company reclassified the leave pay provision as well as the Swaziland Civil Aviation Authority (SWACAA) provision to accruals in accordance with IAS 37.11(b) since the company has the obligation to compensate the employees for the accrued leave days as well as the settlement to SWACAA. As a result of the reclassification of provisions to accruals the company has therefore applied IAS 1.40A which requires us to present a third statement of financial position at the beginning of the preceding period which is 2017. Refer to note 33 to the financial statements for further details.

15. Irregular expenditure

The company obtained a qualified audit opinion in the last two financial years as the external auditors could not rely on the process in place to ensure completeness of irregular expenditure reported. Management established and implemented a system of control to successfully mitigate against this deficiency.

The directors are committed to ensure that adequate controls are in place to prevent irregular expenditure from occurring and to clear the irregular expenditure balance as at year end as expeditiously as possible.

16. Directors' interests in contracts

During the financial year, no contracts were entered into where directors or officers of the company had an interest in.

17. Secretary

The Acting Company Secretary is Ms. Ayanda Manqele.

Postal address:
Private Bag X15, Kempton Park, 1620

Business address:
Eastgate Office Park, Block C, South Boulevard Road, Bruma, 2198

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of the Air Traffic and Navigation Services SOC Limited set out on pages 18 to 79, which comprise the statement of financial position as at 31 March 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the financial statements present fairly, in all material respects, the financial position of Air Traffic and Navigation Services SOC Limited as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act of South Africa, 2008 (Act No. 71 of 2008 and the Public Finance Management Act, No. 1 of 1999).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of this auditor's report.

4. We are independent of the company in accordance with section 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

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

Emphasis of matters

6. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of errors in the financial statements identified during the year ended 31 March 2018.

Trade and other receivables

8. As disclosed in note 16 to the financial statements, material losses to the amount of R45 million were incurred as a result of the impairment of trade and other receivables.

Property, plant and equipment

9. As disclosed in note 33, property, plant and equipment to the value of R32 million which were previously not accounted for in the fixed asset register were identified during the physical verification process undertaken during the current year.

Other matters

10. We draw attention to the matters below. Our opinions are not modified in respect of these matters.

11. The financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act on 15 October 2018. The qualified opinion was expressed due to the following:

Irregular expenditure

12. The predecessor auditors were unable to obtain sufficient appropriate audit evidence to confirm that all irregular expenditure incurred was disclosed in the notes to the financial statements as the public entity did not have adequate processes in place to identify and record irregular expenditure incurred. They could not confirm that all irregular expenditure incurred was disclosed by alternative means.

Responsibilities of accounting authority for the financial statements

13. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa , 2008 (Act No. 71 of 2008) and the Public Finance Management Act, No. 1 of 1999, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

14. In preparing the financial statements, the accounting authority is responsible for assessing the Air Traffic and Navigation Services SOC Limited'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 company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

16. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

18. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the company. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

19. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the company for the year ended 31 March 2019.

	Objectives	Pages in the annual performance report
1.1	Risk Safety Index	108 - 109
1.2	Safety service provision	108 - 109
1.3	Operational efficiency (Reduce overall traffic delays)	108 - 109
1.4	Operational efficiency (Achievement of CNS Systems availability)	108 - 109
1.6	Performance Based Navigation Operational enhancements	110 - 111
2.1	Development of optimised and efficient aviation infrastructure in a cost effective manner	110 - 111
2.2	Operation of satellite communication networks SADC VSAT II	110 - 111
2.3	Operation of satellite communication networks NAFISAT	110 - 111
4.1	Implementation of environmental plan (Measure ATNS carbon footprint and performance assessment)	110 - 111

20. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

21. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Operational efficiency (Achievement of CNS Systems availability)

22. We were unable to obtain sufficient appropriate audit evidence for the reported achievement of average Communication, Navigation and Surveillance (CNS) systems availability. The system used for the availability calculation does not allow for re-performance. The systems availability calculations are performed by the system using an embedded formula. The data input into the system could be verified; however, the components of the formula used by the system could not be re-performed to determine how the average availability calculated output was determined. Therefore, the accuracy and completeness of the reported performance could not be verified. We were unable to confirm the reported performance by alternative means. Consequently, we were unable to determine whether any adjustments were required to the achievement of 99.52% (Communication), 94.81% (Navigation) and 100% (Surveillance) as reported in the annual performance report.

Operation of satellite communication networks SADC VSAT II

Network availability as per SLA targets (SADC VSAT II)

23. We were unable to obtain sufficient appropriate audit evidence for the reported achievement of network availability as per service level availability targets. The SOC is required by the DoT to report faults as a result of level 1 (satellites) and level 2 (radio frequency equipment) events only. However, the report obtained from the system contains all faults reported. The system generated report lacks a unique identifiable characteristic to distinguish between faults that fall within the different levels. Therefore, the accuracy and completeness of the reported performance could not be verified. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the achievement of 99.93% as reported in the annual performance report.

Operation of satellite communication networks NAFISAT

Network availability as per SLA targets (NAFISAT)

24. We were unable to obtain sufficient appropriate audit evidence for the reported achievement of network availability as per service level availability targets. The SOC is required by the DoT to report faults as a result of level 1 (satellites) and level 2 (radio frequency equipment) events only. However, the report obtained from the system contains all faults reported. The system generated report lacks a unique identifiable characteristic to distinguish between faults that fall within the different levels. Therefore, the accuracy and completeness of the reported performance could not be verified. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the achievement of 99.97% as reported in the annual performance report.

25. We did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:

    1.1 Risk Safety Index (RSI)
    1.2 Safety service provision
    1.3 Operational efficiency (Reduce overall traffic delays)
    1.6 Performance Based Navigation (PBN) Operational enhancements
    2.1 Development of optimised and efficient aviation infrastructure in a cost effective manner
    4.1 Implementation of environmental plan (Measure ATNS carbon footprint and performance assessment)

Other matters

26. We draw attention to the matters below. Our opinions are not modified in respect of these matters.

Achievement of planned targets

27. Refer to the annual performance report on pages 108 to 113 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 22 to 24 of this report.

Adjustment of material misstatements

28. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of PBN Operational enhancements. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

29. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the company with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

30. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

31. 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)(b) of the PFMA and section 29(1)(a) of the Companies Act. Material misstatements of non-current assets, trade and other payables, work in progress and provisions identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

32. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R32 million disclosed in note 36 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. Furthermore, irregular expenditure incurred in previous years, amounting to R32 million, was identified in the current year. The majority of the irregular expenditure disclosed in the annual financial statements is as a result of non-compliance with laws and regulations governing procurement and contract management.

Consequence management

33. We were 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.

Other information

34. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

35. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

36. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

37. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. No material inconsistencies were identified.

Internal control deficiencies

38. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted on compliance with legislation included in this report.

Leadership

39. Leadership did not implement consequence management for irregular expenditure incurred in prior years.

40. Leadership did not adequately exercise appropriate oversight over financial and performance reporting, compliance with laws and regulations and related internal controls. This has led to material misstatements and control deficiencies identified in financial and performance reports.

Financial and performance management

41. The accounting authority did not ensure adequate review and monitoring of compliance with laws and regulations which resulted in instances of non-compliance with supply chain management processes and irregular expenditure.

42. The accounting authority did not ensure adequate processing and reconciling controls which resulted in material misstatements of non-current assets, trade and other payables, work in progress and provisions identified by the auditors in the submitted financial statements. These misstatements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other reports

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

Investigations

44. Internal audit investigated an allegation of possible tender fraud and corruption in awarding the ATA student accommodation tender. The investigation began on the 23 April 2018 and was concluded on 15 November 2018. The investigation resulted in the supplier that was unfairly disqualified in the ATA accommodation panel being included in the panel.

45. Internal audit investigated an allegation of possible irregularities in the 2016/2017 bonus payment. The investigation began on 11 April 2018 and was concluded on 18 April 2019. The investigation resulted in remedial actions being put in place to avoid re-occurrence.

46. Internal audit investigated an allegation of possible irregularities in the payments made for board performance evaluations conducted for the 2016/2017 financial year. The investigation began on 06 April 2018 and was concluded on 06 June 2018. The payment was found to constitute an irregular expenditure was recorded in the Irregular Expenditure Register.

47. Internal audit investigated an allegation of possible impropriety in the laptop procurement process through breach of established procurement and/or supply chain management policies during the 2017/18 financial year. The investigation began on 01 October 2018 and was concluded on 24 January 2019. The expenditure was found to constitute an irregular expenditure and was recorded in the Irregular Expenditure Register.

48. Internal audit investigated an allegation of possible irregular and fruitless and wasteful expenditure pertaining to services rendered by a supplier for which it has not yet been established whether or not value to ATNS was derived. The investigation began on 12 November 2018 and was concluded on 19 November 2018. The expenditure was found to constitute an irregular expenditure and recorded in the Irregular Expenditure Register.

49. Internal audit is investigating an allegation of fruitless and wasteful expenditure during disciplinary processes by Legal Counsel. The investigation began on 18 June 2019 and is still ongoing at the date of this report. The cost associated with appointing the legal consultants was found to be irregular expenditure and reported accordingly.

50. Internal audit is investigating an allegation of possible misconduct by a member of the board. The investigation began on 12 June 2019 and is still ongoing at the date of this report.

Auditor tenure

51. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Air Traffic and Navigation Services SOC Limited for one year.

Nexia SAB&T

Nexia SAB&T
Per: C. Chigora
Director
Registered Auditor
31 July 2019

119 Witch-Hazel
Technopark
Highveld
Centurion

Annexure – Auditor's responsibility for the audit

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the company's compliance with respect to the selected subject matters.

Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
   - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Air Traffic Navigation and Services SOC Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. We 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 we identify during our audit.

4. We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, related safeguards.

Statement of Financial Position as at 31 March, 2019

	Notes	2019 R	2018 R Restated	2017 R Restated
ASSETS				
Non-Current Assets				
Property, plant and equipment	12	1,084,896,095	967,295,990	665,615,280
Intangible assets	13	95,162,464	107,533,382	108,557,499
Capital work in progress	14	318,900,521	408,383,966	502,416,969
Long term prepayments	15	345,279	431,434	-
		1,499,304,359	**1,483,644,772**	**1,276,589,748**
Current Assets				
Trade and other receivables	16	199,513,111	242,749,469	193,794,166
Loans and receivables	17	16,652,588	14,155,784	16,151,353
Prepayments	18	16,357,362	10,602,938	4,893,997
Current tax receivable	19	26,831,534	24,571,271	721,149
Cash and cash equivalents	20	1,520,495,995	1,342,664,164	1,326,732,100
		1,779,850,590	**1,634,743,626**	**1,542,292,765**
Total Assets		**3,279,154,949**	**3,118,388,398**	**2,818,882,513**
EQUITY AND LIABILITIES				
Equity				
Share capital	21	190,646,000	190,646,000	190,646,000
Retained income		2,639,197,921	2,450,909,768	2,236,521,780
		2,829,843,921	**2,641,555,768**	**2,427,167,780**
Liabilities				
Non-Current Liabilities				
Finance lease obligation	22	4,430,849	8,347,087	3,383,474
Deferred income tax liabilities	23	58,728,392	91,563,580	90,966,066
		63,159,241	**99,910,667**	**94,349,540**
Current Liabilities				
Trade and other payables	24	275,108,567	270,595,135	224,952,681
Finance lease obligation	22	3,916,238	4,350,395	2,907,545
Operating lease liability	25	1,782,351	595,125	1,533,295
Contract liabilities	26	10,118,260	-	-
Provisions	27	95,226,371	101,381,308	67,971,672
		386,151,787	**376,921,963**	**297,365,193**
Total Liabilities		**449,311,028**	**476,832,630**	**391,714,733**
Total Equity and Liabilities		**3,279,154,949**	**3,118,388,398**	**2,818,882,513**

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2019 R	2018 R Restated
Revenue	3	1,667,952,744	1,593,807,972
Other income	4	6,226,892	631,424
Other operating gains (losses)	5	23,105,675	(43,650,821)
Credit loss allowances	6	(45,324,164)	(6,653,498)
Depreciation costs	12	(154,048,382)	(113,691,908)
Impairment loss	12	(4,326,579)	(5,921,746)
Amortisation on intangible assets	13	(16,162,659)	(13,797,555)
Staff costs	7	(949,409,470)	(884,772,844)
Other operating expenses	8	(364,795,312)	(347,100,012)
Operating profit		**163,218,745**	**178,851,012**
Investment income	9	88,561,243	85,787,619
Finance costs	10	(1,117,780)	(1,592,987)
Profit before taxation		**250,662,208**	**263,045,644**
Taxation	11	(62,374,055)	(75,498,433)
Profit for the year		**188,288,153**	**187,547,211**
Other comprehensive income		-	-
Total comprehensive income for the year		**188,288,153**	**187,547,211**

	Share capital R	Retained income R	Total equity R
Balance at 1 April, 2017	**190,646,000**	**2,236,521,780**	**2,427,167,780**
Restated profit for the year	-	187,547,211	187,547,211
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**187,547,211**	**187,547,211**
Adjustment from adoption of IFRS 9 - Note 16	-	(5,541,264)	(5,541,264)
Prior year period error - Note 33	-	32,382,041	32,382,041
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**26,840,777**	**26,840,777**
Balance at 1 April, 2018	**190,646,000**	**2,450,909,768**	**2,641,555,768**
Profit for the year	-	188,288,153	188,288,153
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**188,288,153**	**188,288,153**
Balance at 31 March, 2019	**190,646,000**	**2,639,197,921**	**2,829,843,921**
Note	21		

	Notes	2019 R	2018 R Restated
Cash flows from operating activities			
Cash receipts from customers		1,624,719,079	1,647,129,901
Cash paid to suppliers and employees		(1,229,274,808)	(1,280,812,523)
Cash generated from operations	28	395,444,271	366,317,378
Interest income		88,561,243	85,787,619
Finance costs	10	(1,117,780)	(1,592,987)
Tax paid	19	(97,469,505)	(98,751,041)
Net cash flows from operating activities		**385,418,229**	**351,760,969**
Cash flows from investing activities			
Purchase of property, plant and equipment		(249,065,060)	(280,444,459)
Sale of property, plant and equipment		102,823	43,859
Purchase of other intangible assets		(2,685,370)	(24,023,426)
Movement of long term prepayments		86,155	(431,434)
Net cash flows from investing activities		**(251,561,452)**	**(304,855,460)**
Cash flows from financing activities			
Finance lease payments		(4,475,018)	(1,098,815)
Net cash flows from financing activities		**(4,475,018)**	**(1,098,815)**
Total cash movement for the year		**129,381,759**	**45,806,694**
Cash at the beginning of the year		1,342,664,164	1,326,732,100
Effect of exchange rate movement on cash balances		48,450,072	(29,874,630)
Total cash and cash equivalents at end of the year	20	**1,520,495,995**	**1,342,664,164**

Corporate information

ATNS is a state owned company with limited liability incorporated in South Africa. The company's registration number is 1993/004150/06, and its registered address and office is Block C, Eastgate Office Park, South Boulevard Road, Bruma, 2198, Republic of South Africa. The company is principally engaged in the provision of air traffic and navigation services.

The financial statements of the company for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 29 July 2019.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in South African Rand, which is the company's functional and presentation currency. Amounts presented in the financial statements were rounded off to the nearest Rand.

Statement of compliance

The financial statements of ATNS have been prepared in accordance with and comply with IFRS as issued by the IASB and in the manner required by the Companies Act of South Africa and the PFMA.

1.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.3 Property, plant and equipment

Land is not depreciated and is shown at cost less accumulated impairment.

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit and loss during the financial period in which they are incurred.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the company
- The cost of the item can be measured reliably

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the company is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
ATC display system	Straight line	12 years
Building	Straight line	50 years
Communication equipment	Straight line	10-15 years
Computer equipment	Straight line	3-7 years
Electrical and mechanical equipment	Straight line	10 years
Intangibles	Straight line	7 years
Leasehold property	Straight line	6 years
Motor vehicles	Straight line	5 years
Navigation aids	Straight line	15 years
Office equipment	Straight line	6 years
Radar equipment	Straight line	15 years
Simulator equipment	Straight line	10 years
Infrastructure	Straight line	5-15 years
Tools and test equipment	Straight line	8-20 years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and in a condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Regular major inspections of certain items of property, plant and equipment are a prerequisite for the continuing use of the equipment. As such these inspection costs are capitalised in the carrying amount of the property, plant and equipment (to the extent that the recognition criteria are satisfied) as a replacement. These inspection costs are depreciated over the period remaining before the next compulsory major inspection.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss in the year the asset is derecognised.

1.4 Capital work in progress

Capital work in progress is measured at cost. Major property, plant, equipment and intangible assets which are commissioned over a period of time are reflected as capital work in progress on the statement of financial position. Capital work in progress is transferred to property, plant, equipment and intangible assets when available for use.

1.5 Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the company
- The cost of the asset can be measured reliably

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale
- There is an intention to complete and use or sell it
- There is an ability to use or sell it
- It will generate probable future economic benefits
- There are available technical, financial and other resources to complete the development and to use or sell the asset
- The expenditure attributable to the asset during its development can be measured reliably

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three - seven years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Changes in expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss in the expense category consistent with the function of the intangible asset.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Costs associated with developing computer software programs are capitalised when incurred, however the costs to maintain are expensed.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 - 7 years

1.6 Impairment of tangible and intangible assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Financial liabilities:

- Amortised cost

- Note 34 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Loans receivable at amortised cost

Classification

Loans to the company (note 17) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost. The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 16).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses) (note 5).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 34).

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix are presented in note 16.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is shown separate in profit or loss as credit loss allowance (note 6).

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 16) and the financial instruments and risk management note (note 34).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item (note 4).

Trade and other payables

Classification

Trade and other payables (note 24), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 10).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 34 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note 5).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other payables (note 24).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value, and subsequently recorded at amortised cost.

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.8 Financial instruments: IAS 39 comparatives

Classification

The company classifies financial assets and financial liabilities into the following categories:

Financial assets

The company classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Directors determine the classification of its financial assets at initial recognition and re-evaluate this designation at each balance sheet date.

Regular way purchases and sales of financial assets are recognised at trade date, being the date on which the company commits to purchase or sell the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' (excluding prepayments) and 'cash and cash equivalents' in current assets and as 'loans and receivables' in noncurrent assets in the statement of financial position. Loans and receivables are initially recognised at fair value and subsequently amortised using the effective interest method less any allowance for impairment.

Gains and losses arising from derecognition, impairment or the amortisation process are recognised in the profit and loss.

Impairment of financial assets

The company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

Reversal of impairment losses on amortised cost financial assets is limited to what the carrying value would have been at the reversal date, if no impairment losses were recognised in the past.

For trade receivables, an allowance for impairment is recognised when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all of the amounts due under the original terms of invoice. The carrying amount is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible, and is written off against either the allowance account or directly through profit or loss if no allowance was recognised for the impairment.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value, and subsequently recorded at amortised cost.

Trade and other payables

Financial liabilities are recognised on the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Trade and other payables are initially recognised at fair value and subsequently amortised using the effective interest method. Trade and other payables are generally paid 30 days from statement or invoice date. Gains or losses are recognised in profit and loss.

Derecognition of financial assets and liabilities

Financial assets

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

1. The rights to receive cash flows from the asset have expired
2. The company has transferred its rights to receive cash flows from the asset and either
   a. Has transferred substantially all the risks and reward of the asset
   b. Has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset

When the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

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

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

Value Added Tax

Revenue, expenses and assets are recognised net of the amount of Value Added Tax (VAT) except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from taxation authority, in which case the VAT is recognised as part of cost of acquisition of the asset or as part of the expense item as possible; and receivables and payables that are stated with the amount VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income
- A business combination

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.10 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

1. There is a change in contractual terms, other than a renewal or extension of the arrangement
2. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term
3. There is a change in the determination of whether fulfillment is dependent on a specified asset
4. There is a substantial change to the asset

Where a reassessment is made, lease accounting commences or ceases from the date when the change in circumstances gave rise to the reassessment for scenarios (1), (3) or (4) and at the date of renewal or extension period for scenario (2).

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Company as a lessee

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

Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term. At balance sheet date no finance lease existed.

Company as a lessor

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases (net of any incentives received from the lessor) and are charged to profit and loss on a straightline basis over the lease term.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

1.11 Share capital

Ordinary shares are classified as equity. Equity instruments issued by the company are recorded as the proceeds received, net of direct issue costs.

1.12 Retirement benefit costs

The company has a defined contribution scheme as retirement benefit for its employees, The assets of the scheme are held in a separate trustee administered fund. The defined contribution fund is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The scheme is funded by contributions from the employees and the company, taking into account the recommendations of independent qualified actuaries. The company's contributions to the defined contribution scheme are charged to profit and loss in the year to which they relate.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.14 Provisions and contingencies

Provisions are recognised when:

- The company has a present obligation 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
- A reliable estimate can be made of the obligation

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the company settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.15 Revenue from contracts with customers

Revenue arises mainly from services rendered from the following major sources:

- En-route, aerodromes and approach fees
- VSAT networks
- Small aerodromes fees
- Technical maintenance
- Aviation training fees
- Extended hours services
- Rental fees
- Sundry revenue
- Weather services administration

The company has adopted IFRS 15 Revenue from contracts with customers for the financial year starting on 1 January 2018. The company has applied IFRS 15 in accordance with the transitional provisions set out in the Standards and therefore did not restate prior periods. The date of initial application (i.e. the date on which the company has assessed its existing contracts in terms of the requirements of IFRS 9) is 01 January 2018. Accordingly, the company has applied the requirements of IFRS 15 to contracts not completed as at 01 January 2018 and has not applied the requirements to contracts that have already been completed as at 1 January 2018. Comparatives in relation to contracts that have not been derecognised as at 1 January 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 January 2018. In the current year, the company has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. Applying the practical expedient in paragraph 94 of IFRS 15, the company recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the company otherwise would have recognised is one year or less. Applying the practical expedient in paragraph 63 an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Policy applicable before 1 January 2018

The policies will remain the same as per prior year audited financial statements.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and VAT or duty. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue includes en-route, aerodrome and approach fees, small aerodrome services, technical maintenance services, aeronautical information services, VSAT networks and Aviation training fees. Services fees are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Finance revenue

Finance revenue is recognised as interest accrues (using the effective interest method). Interest income is included in finance revenue in profit and loss.

Policy became effective for the financial periods beginning on or after 1 January 2018

To determine whether to recognise revenue, the company follows a five-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

The company often enters into transactions involving a range of services, for example en-route, aerodrome and approach fees, small aerodrome services, technical maintenance services, VSAT networks and aviation training fees. In all cases, the total transaction price for contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the company satisfies performance obligations by transferring the promised goods or services to its customers.

The company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the company satisfies a performance obligation before it receives the consideration, the company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

En-route, aerodromes and approach fees

The company provides en-route, aerodrome and approach services as regulated on the government gazette. The government gazette serves as the legal binding contract between the company and the all customers making use of the South African airspace as per legislation, each party rights and obligation is clearly stipulated in gazette. The probability of the customer paying service rendered is based on the payment history of the customer, ongoing credit valuation, bank guarantees and security deposit held by the company.

The promised services are mainly the provision of Air Traffic Management services relating to the following services:

- Airspace organisation and management services
- Information management services
- Alerting services
- Advisory services
- Conflict management services
- Traffic synchronisation services
- Flight information services;
- Demand and capacity balancing services

The air traffic management services are bundled together as a distinct service provided by the company. The company charges a fixed duration fee for Aerodrome charge, TMA charge and Area charge as well as the variable consideration based on the distance of the area. Revenue from air traffic management services is recognised over time as the services are rendered. The transaction price allocated to en-route, aerodrome and approach fees is recognised as a receivables once the company has satisfied the performance obligations.

VSAT networks

The company operates VSAT networks satellite communication system to address communication deficiencies in the North East African Indian Ocean (NAFISAT) and Southern African Development community (SADC VSAT II). The company has contracts with the individual member states as well as International Air Transport Association. The probability of the customer paying for services rendered is based on the payment history of the customer and ongoing credit valuation. The promised services to be offered among others include the following:

- ATS direct speech
- Aeronautical fixed telecommunication network, eventually offering a smooth migration support to the aeronautical telecommunication network. Applications, including Air traffic services (ATS) Message Handling System, ATS Inter-facility Data Communication and Voice over Internet Protocol
- Computer-to-computer data exchange between ATS flights data processing system
- Operational meteorological data exchanges
- Aeronautical administrative support

The above performance obligations are bundled together as distinct services offered by the company to the network users.

The price charged for network usage by the company is a fixed consideration for each gateway utilised. Revenue from air traffic management services is recognised over time as the services are rendered. The transaction price allocated to VSAT networks services are recognised as a receivables once the entity has satisfied the performance obligations.

Small aerodromes fees

The company supplies air traffic management in a form of aerodromes services to privately owned airports around the Republic of South Africa. Each contract is assessed for probability of the customer paying for the service delivered. The services includes supply of air traffic controllers, telecommunication equipment and electronic maintenance. The air traffic services are bundled together as a distinct service provided by the company.

The consideration charged for small aerodromes by the company is a fixed consideration and in some instances a variable consideration is charged. Revenue is recognised over time. The transaction price allocated to small aerodromes is recognised as a receivable once the entity satisfies the performance obligations.

Technical maintenance

The company supplies technical services for the ILS calibration to both local and foreign customers. Each contract signed with the customer is assessed for probability of the customer paying for the service delivered. The performance obligations supplied by the company includes the supply of preventative and corrective maintenance of equipment, repairs and replacement. The maintenance services are considered to be a distinct services as they are regularly supplied by the company to customers.

Revenue relating to the technical maintenance services is recognised over time.

The consideration charged for technical maintenance by the company is a fixed consideration. Revenue is recognised over time. The transaction price allocated to these services are recognised as a receivable once the entity satisfies the performance obligations.

Aviation training fees

The company offers aviation training courses to both local and overseas customers. Before the commencement of the course both the company and the customer sign the training proposal (contract). Customers are required to pay for the cost of the various courses offered by the entity before the commencement of the course and on completion of the course the student will graduate and is offered a certificate recognised in the aviation industry. The probability of the customer paying is high because of advance payment. The performance obligations are:

1. Venue
2. Course instructor
3. Course Material
4. Qualification/certificate
5. Graduation ceremony

The above obligations are bundled together as distinct services offered by the company. For each course offered the company charges a fixed duration fee. Revenue from aviation training services is recognised over time as the course is offered. The company recognises contract liabilities for consideration received in respected of unsatisfied training services, similarly if the entity has offered the training before it receives the consideration the entity recognises a receivables once the entity satisfies the performance obligations.

Extended hours services

The company renders extended duty hour services for the extension of existing air traffic services beyond the normal negotiated and planned working hours. The charges that the company levies on these extended hours are regulated by legislation in the government gazette and the fees are fixed. Revenue from extended hours is recognised over time for the duration of the time extension. The transaction price allocated to extended hours are recognised as a receivable once the entity satisfies the performance obligations.

Weather services administration

The company renders aviation meteorological services administration and issues customers with invoices on behalf of South African Weather Services and receives a commission for services rendered. The ability of South African Weather Services paying for the commission amount is high because the they are financially sound. The promised services to be rendered to and on behalf of South African Weather Services among others includes provision of air traffic volume statistics, providing of operators information and billing of meteological services. These services are bundled together as a distinct service promised by the company.

The price charged for the commission is the variable consideration not less than the agreed fixed consideration for the specific period. Revenue from weather services commission is recognised over time for each commission movement. The transaction price allocated to weather services are recognised as a receivable once the entity satisfies the performance obligations.

Sundry revenue

Sundry revenue is mainly comprised of commission received for services rendered on behalf of third parties as well as other aeronautical services offered by the company. The performance obligations is mainly billing and collections as well as issuing invoices and statement to customers on behalf of third parties as well as providing monthly statistics. The consideration charged for these services by the entity are a fixed consideration and in some instances a variable consideration is charged. Revenue is recognised over time. The transaction price allocated to these services are recognised as a receivable once the entity satisfies the performance obligations.

Rentals

The company rents out office spaces, beacons/squitters and billboard advertisement to customers and each contract is assessed for probability of the customer paying for the services. The performance obligation includes the availability of space and navigation aids devices. The consideration charged for these services by the entity are a fixed consideration and in some instances a variable consideration is charged. Revenue is recognised over time. The transaction price allocated to these services are recognised as a receivable once the company satisfies the performance obligations.

Aeronautical information services

The company supplies aeronautical information services to both local and foreign customers and each contract is assessed for probability of the customer paying for the services.

The performance obligations includes among others survey and procedure design for routing and safe navigation of aircraft. The aeronautical information services comprise of both dynamic and static data enabling safe navigation of aircraft between the pilot and the air traffic controller.

The consideration charged for aeronautical information services by the company is a fixed consideration and in some instances a variable consideration is charged. Revenue is recognised over time. The transaction price allocated to these services are recognised as a receivable once the entity satisfies the performance obligations.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Significant accounting estimates and judgements

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies in areas that involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results may differ from these estimates.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities in the next financial year are listed below.

Provisions

Provisions were raised and management determined an estimate based on the information available as well as past experience. Additional disclosure of these estimates of provisions is included in the notes to the annual financial statements under provisions for other liabilities and charges.

Property, plant and equipment and Intangible assets

Management has made certain estimates with regards to the determination of estimated useful lives and residual values of items of property, plant and equipment and intangible assets. In estimating the useful lives of the assets, management considered the industry standards, the present status of the assets and the expected future benefits associated with the continued use of the assets. Management has made certain estimates with regards to determining the value of R1 assets where their prices of the assets were not readily available on internet or no recent purchases were made of such assets.

1.18 Irregular, fruitless and wasteful expenditure

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of profit and loss in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

1. This Act or
2. The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act or
3. Any provincial legislation providing for procurement procedures in that provincial government. National Treasury Instruction note 1 of 2018/19 which was issued in terms of sections 76(2)(e) to 76(4)(a) of the PFMA requires the following (effective from 1 December 2018):

Public entity listed in Schedules 2 to the PFMA applying IFRS, to incur irregular expenditure, the non-compliance must be linked to financial transaction. Although a transaction may trigger irregular expenditure, the public entity will only record irregular expenditure when transaction is recognized as expenditure in the Statement of Financial Performance in accordance with IFRS.

The accounting officer or accounting authority must ensure that only confirmed irregular expenditure is disclosed in the main note to the annual financial statements. Irregular expenditure not confirmed or in the process of determination or investigation must be disclosed in the sub-note to the annual financial statements related to irregular expenditure.

All debts incurred from losses emanating from the incurrence of irregular expenditure shall be interest bearing at the uniform interest rate prescribed in terms of section 80(1)(b) of the PFMA and shall be calculated using the simple interest method.

Provision is made for the accounting officer or accounting authority to submit requests to the relevant authority to seek condonation of the irregular expenditure. Condonation of irregular expenditure relating to the contravention of other applicable legislation must be forwarded to the National Treasury for attention of the Accountant General. The requests may only be submitted to the relevant authority if the accounting officer or accounting authority confirms that the department, constitutional institution or public entity, whichever applicable, did not suffer a loss and that value for money was achieved.

2. New or revised Standards or Interpretations

The aggregate impact of the initial application of the statements and interpretations on the company's financial statements is expected to be as follows:

2.1 New Standards adopted as at 1 January 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers and the related Clarifications to IFRS 15 Revenue from Contracts with Customers (hereinafter referred to as IFRS 15) replace IAS 18 Revenue, IAS 11 Construction Contracts, and several revenue-related Interpretations. Many of the company's contracts comprise a variety of performance obligations including, but not limited to, en-route, aerodrome and approach fees, VSAT networks services fees, technical maintenance, small aerodromes fees and aviation training fees. Under IFRS 15, the Group must evaluate the separability of the promised goods or services based on whether they are distinct. A promised good or service is distinct if both:

1. The customer benefits from the item either on its own or together with other readily available resources
2. It is separately identifiable (i.e. the company does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of the standard does not have material impact on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. When adopting IFRS 9, the company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings. The adoption of IFRS 9 has impacted the following area:

1. The impairment of financial assets applying the expected credit loss model. This affects the company's trade receivables measured at amortised cost. For contract assets arising from IFRS 15 and trade receivables, the entity applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component, However this has an impact provisions. Refer to Note 16.

2.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the company

IFRS 16 Leases

IFRS 16 will replace IAS 17 Leases and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months. IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the company has decided not to early adopt. Management is in the process of assessing the full impact of the Standard. So far, the company:

1. Has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2020, the company reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset.
2. Believes that the most significant impact will be that the company will need to recognise a right of use asset and a lease liability for the office building currently treated as operating leases. At 31 March 2019 the future minimum lease payments amounted to R41,148429. This will mean that the nature of the expense of the above cost will change from being .an operating lease expense to depreciation and interest expense.
3. Concludes that there will not be a significant impact to the finance leases currently held on the statement of financial position.

The entity is planning to adopt IFRS 16 on 1 April 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated. Choosing this transition approach results in further policy decisions the company need to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The company is currently assessing the impact of applying these and other transitional reliefs. IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the entity does not expect any changes for leases where they are acting as a lessor.

	Notes	2019 R	2018 R Restated
3. Revenue			
Revenue from contracts with customers			
Revenue		1,667,952,744	1,593,807,974
Disaggregation of revenue from contracts with customers			
Revenue			
Aerodrome, en-route and approach fees		1,476,256,740	1,402,408,229
Small aerodrome		54,849,611	50,420,819
SADC VSAT II		49,285,188	46,469,170
NAFISAT Revenue		38,716,495	35,778,834
Training to third parties		20,211,313	20,979,086
Aeronautical information services		3,017,688	12,240,046
Technical maintenance		13,526,981	9,196,523
Sundry revenue		6,860,260	9,832,735
Extended hours		2,222,724	3,374,345
Rental received - sites		1,018,045	1,171,191
Weather services administration		1,987,699	1,936,996
		1,667,952,744	**1,593,807,974**
Timing of revenue recognition			
At a point in time			
Sundry revenue		30,290	-
Sundry revenue is mainly from the sales of the company's branded items.			
Over time			
Aerodrome, en-route and approach fees		1,476,256,740	1,402,408,229
Small aerodrome		54,849,611	50,420,819
SADC VSAT II		49,285,188	46,469,170
NAFISAT Revenue		38,716,495	35,778,834
Training to third parties		20,211,313	20,979,086
Aeronautical information services		3,017,688	12,240,046
Technical maintenance		13,526,981	9,196,523
Sundry revenue		6,829,970	9,832,735
Extended hours		2,222,724	3,374,345
Rental received - sites		1,018,045	1,171,191
Weather services administration		1,987,699	1,936,996
		1,667,922,454	**1,593,807,974**

	Notes	2019 R	2018 R Restated
Included in sundry revenue is commission received for services rendered on behalf of third parties as well as other aeronautical services offered by the company.			
Total revenue from contracts with customers		**1,667,952,744**	**1,593,807,974**
Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the reporting date			
The transaction price which has been allocated to performance obligations which are unsatisfied or partially unsatisfied at the reporting date are presented below. All unsatisfied performance obligations are expected to be completed within one year to four years from date of reporting date:			
Transaction price allocated to:			
• Aeronautical information services		8,733,636	-
• Training to third parties		10,118,260	-
		18,851,896	**-**
4. Other income			
Bad debts recovered		2,889,275	377,294
Compensation from insurance claims		529,277	34,131
Sundry income		2,055,571	-
Discount received		752,769	219,999
		6,226,892	**631,424**

a. Bad debts recovered relates to income which the company received from previously written off debt which was still pursued in the current financial year.

b. Sundry income mainly consists of Transport Education and Training Authority (TETA) discretionary fund for providing internship to unemployed graduates.

	Notes	2019 R	2018 R
5. Other operating gains (losses)			
Gains (losses) on disposals, scrappings and settlements			
Property, plant and equipment	12	(25,344,397)	(13,776,191)
Foreign exchange gains (losses)			
Net foreign exchange gains (losses)		48,450,072	(29,874,630)
Total other operating gains (losses)		**23,105,675**	**(43,650,821)**
6. Credit loss allowances			
Movement in credit loss allowances			
Trade and other receivables		45,324,164	6,653,498
7. Staff costs			
Employee costs			
Salaries, wages and other related costs		771,797,944	708,871,677
Incentive Bonus		73,670,324	73,382,720
Rewards and Recognition		5,102,270	4,141,864
Training and development		9,629,035	15,034,765
Bursar costs		1,000,288	1,003,673
Recruitment costs		4,002,736	2,225,247
Relocation costs		5,211,901	6,202,798
Pensions costs - defined contribution scheme		76,584,972	71,175,100
Long Service Awards		2,410,000	2,735,000
		949,409,470	**884,772,844**

	Notes	2019 R	2018 R
8. Other expenses			
Administration expenses		58,380,797	61,466,117
External audit fees		2,647,658	3,262,461
Internal audit		1,248,419	183,869
Fees for audit services		1,248,419	(118,502)
Fees for other services		-	302,371
Insurance		10,839,094	9,690,246
Contract services		24,887,512	23,148,766
Marketing expenses		30,822,435	21,268,457
Motor vehicle expenses		2,180,513	1,912,998
Municipal expenses, rates and taxes		16,991,074	15,273,303
Premises - Straight line charge		14,638,040	11,993,167
Straight-line lease payments		9,164,856	9,181,659
Rent		5,473,184	2,811,508
Equipment rental		1,866,821	2,409,665
Professional fees		16,215,707	20,677,731
Repairs and maintenance		73,789,181	72,977,288
Security		6,338,025	4,541,254
Telecommunication expenses		56,371,554	50,025,225
Travel expenses		47,578,482	48,269,465
		364,795,312	**347,100,012**

Administration expenses is made up of annual computer software licenses, network management fees and directors fees among others.

	Notes	2019 R	2018 R
9. Investment income			
Interest income			
Investments in financial assets:			
Bank and other cash		81,024,964	77,846,436
Trade and other receivables		7,190,075	7,941,183
Other financial assets		346,204	-
Total interest income		**88,561,243**	**85,787,619**

	Notes	2019 R	2018 R
10. Finance costs			
Finance leases		959,797	1,571,191
Other Interest paid		157,983	21,796
Total finance costs		**1,117,780**	**1,592,987**
11. Taxation			
Major components of the tax expense			
Current			
Prior year (over)/under - provision		21,919,932	-
Current income tax charge		73,289,310	74,900,919
		95,209,242	**74,900,919**
Deferred			
Current year		(32,835,188)	597,514
		62,374,054	**75,498,433**
Property, plant and equipment		(26,427,947)	7,074,655
Prepayments		(489,655)	454,957
Provisions		(11,544,189)	(3,831,693)
Finance lease obligation		1,165,930	(937,921)
Deferred income		(617,875)	(2,611,128)
Operating leases		(332,423)	262,688
Impairment of trade receivables allowance		2,577,859	185,956
Section 24C		2,833,112	-
		(32,835,188)	**597,514**
Reconciliation of the tax expense			
Reconciliation between applicable tax rate and average effective tax rate			
Applicable tax rate		28.00 %	28.00 %
Non-temporary differences		- %	0.42 %
Under Provision prior year		8.70 %	- %
Over provision - Deferred tax asset		(11.90)%	- %
		24.80 %	**28.42 %**

12. Property, plant and equipment

	2019 R			2018 (Restated) R		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	13,060,088	-	13,060,088	13,431,805	-	13,431,805
Buildings	224,906,003	(76,670,982)	148,235,021	215,993,744	(72,468,779)	143,524,965
Leasehold improvements	86,584,755	(60,719,321)	25,865,434	71,046,268	(54,265,193)	16,781,075
Communication equipment	302,372,650	(79,682,081)	222,690,569	292,532,960	(74,996,351)	217,536,609
Office furniture and equipment	31,754,064	(19,840,006)	11,914,058	30,734,492	(15,305,055)	15,429,437
Motor vehicles	15,905,969	(6,543,796)	9,362,173	15,905,972	(3,362,801)	12,543,171
Electrical and mechanical equipment	82,094,770	(47,333,563)	34,761,207	72,881,634	(40,038,351)	32,843,283
Computer equipment	194,638,604	(106,059,070)	88,579,534	172,506,176	(64,454,444)	108,051,732
Navigation aids	97,491,580	(70,819,609)	26,671,971	98,989,868	(65,295,967)	33,693,901
Tools and test equipment	12,111,901	(2,557,144)	9,554,757	35,379,122	(12,941,541)	22,437,581
Infrastructure	3,290,558	(1,053,329)	2,237,229	-	-	-
ATC display system	206,743,513	(67,206,563)	139,536,950	136,922,518	(53,382,607)	83,539,911
Simulator equipment	28,458,366	(17,734,151)	10,724,215	29,140,776	(16,060,589)	13,080,187
Radar equipment	549,984,139	(208,281,250)	341,702,889	439,600,897	(185,198,564)	254,402,333
Total	**1,849,396,960**	**(764,500,865)**	**1,084,896,095**	**1,625,066,232**	**(657,770,242)**	**967,295,990**

Reconciliation of property, plant and equipment - 2019	Opening balance R	Additions R	Disposals R	Impairment reversal R	Depreciation R	Impairment loss R	Write off R	Total R
Land	13,431,805	-	-	-	-	(258,737)	(112,980)	13,060,088
Buildings	143,524,965	11,045,269	(1,102,738)	814,411	(6,046,886)	-	-	148,235,021
Leasehold improvements	16,781,075	15,538,487	-	-	(6,454,128)	-	-	25,865,434
Communication equipment	218,074,943	35,234,372	(7,509,535)	-	(22,154,812)	(954,399)	-	222,690,569
Office furniture and equipment	15,429,437	1,749,615	(163,903)	-	(4,908,530)	(192,561)	-	11,914,058
Motor vehicles	12,543,170	-	-	-	(3,180,997)	-	-	9,362,173
Electrical and mechanical equipment	32,843,283	11,518,750	(300,364)	-	(7,746,387)	(292,574)	(1,261,501)	34,761,207
Computer equipment	108,051,732	18,016,906	(1,686,165)	-	(34,741,006)	(1,061,933)	-	88,579,534
Navigation aids	33,693,901	637,395	(23,589)	-	(6,633,021)	(365,319)	(637,396)	26,671,971
Tools and test equipment	9,327,563	2,039,434	(780,824)	-	(715,452)	(315,964)	-	9,554,757
Infrastructure	-	3,290,557	-	-	(1,053,328)	-	-	2,237,229
ATC display system	83,539,911	75,272,757	(1,246,686)	-	(17,349,680)	(679,352)	-	139,536,950
Simulator equipment	13,080,187	1,873,471	(520,234)	-	(3,709,209)	-	-	10,724,215
Radar equipment	254,402,333	133,884,618	(7,023,376)	-	(39,354,946)	(205,740)	-	341,702,889
	954,724,305	**310,101,631**	**(20,357,414)**	**814,411**	**(154,048,382)**	**(4,326,579)**	**(2,011,877)**	**1,084,896,095**

Reconciliation of property, plant and equipment - 2018 (Restated)	Opening balance R	Additions R	Depreciation R	Impairment loss R	Write off R	Total R
Land	13,431,800	5	-	-	-	13,431,805
Buildings	150,088,224	5,277,268	(6,042,510)	(5,798,017)	-	143,524,965
Leasehold improvements	13,678,470	8,385,435	(4,516,732)	-	(766,098)	16,781,075
Communication equipment	67,417,905	166,063,507	(14,331,938)	-	(1,612,865)	217,536,609
Office furniture and equipment	17,163,968	2,830,335	(4,516,272)	(12,986)	(35,608)	15,429,437
Motor vehicles	7,670,440	7,781,593	(2,908,862)	-	-	12,543,171
Electrical and mechanical equipment	31,364,046	7,459,719	(5,883,153)	(30,003)	(67,326)	32,843,283
Computer equipment	85,681,440	49,924,193	(27,495,186)	(58,715)	-	108,051,732
Navigation aids	29,494,180	10,643,796	(6,444,075)	-	-	33,693,901
Tools and test equipment	23,230,651	1,454,309	(2,225,354)	(22,025)	-	22,437,581
ATC display system	29,260,929	66,065,120	(11,786,138)	-	-	83,539,911
Simulator equipment	12,840,363	3,425,185	(3,185,361)	-	-	13,080,187
Radar equipment	184,292,864	94,465,796	(24,356,327)	-	-	254,402,333
	665,615,280	**423,776,261**	**(113,691,908)**	**(5,921,746)**	**(2,481,897)**	**967,295,990**

Net carrying amounts of leased assets	**2019**	**2018**
Motor vehicles	9,009,374	12,236,117
IT equipment	39,400	704,913
	9,048,774	**12,941,030**

During the physical verification exercise there was land that was identified as belonging to ATNS but was not recorded in the books. The land was being used for the NDBs, which have since been decommissioned. The land has been valued at R1 for identification purposes.

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

During the year under review there were no existence and amounts of restrictions on titles as well as property, plant and equipment pledged as security.

The fair value of Land is R357 million and the fair value of Buildings is R700 million. This is based on the valuation performed on the 2017/18 financial year.

13. Intangible assets

	2019 R			2018 (Restated) R		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	202,475,022	(107,312,558)	95,162,464	274,681,138	(167,147,756)	107,533,382

Reconciliation of intangible assets - 2019	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	107,533,382	7,418,301	(3,626,560)	(16,162,659)	95,162,464

Reconciliation of intangible assets - 2018 (Restated)	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	108,557,499	24,122,685	(11,349,247)	(13,797,555)	107,533,382

Pledged as security

During the year under review the company had no intangible asset pledged as security also there were no intangible assets whose title was restricted.

Research & Development	**2019**	**2018**
Research and development expenditure expensed during the year	107,453	1,330,858

	2019 R	2018 R
14. Capital work in progress		
Opening net book value	408,383,966	502,416,969
Additions	255,102,500	279,956,428
Other adjustments	(54,288,919)	(5,339,973)
Transferred to property, plant, equipment and intangible	(290,297,026)	(368,649,458)
	318,900,521	**408,383,966**
The balance consists of the following categories of property, plant and equipment & intangible		
Radar equipment	33,536,367	82,910,106
Communication equipment	78,670,764	98,479,321
Navigation aids	55,187,856	50,386,220
Simulator	1,193,697	1,267,027
Electrical and mechanical equipment	17,924,320	5,359,082
Software	4,333,340	4,362,091
ATC display system	9,783,905	95,916,228
Buildings	89,508,512	66,149,595
Computer equipment	3,554,837	3,489,585
Other	25,206,923	64,711
	318,900,521	**408,383,966**

1. Software is mainly made up of the following projects:
   - Records management
   - ECP Billing
   - Sustainability reporting tool
   - Sustainability E-learning
2. Other is mainly made up of general assets, WIP accruals and consultants services.

15. Long term prepayments

	2019 R	2018 R
Prepayments	345,279	431,434

Included in long term prepayments are maintenance, licenses, and other operating expenses paid in advance. The company expects to receive credits for the related expenditure in the 2021-2022 financial year.

	2019 R	2018 R Restated
16. Trade and other receivables		
Financial instruments:		
Trade receivables	254,030,395	266,453,931
Less: Allowance for expected credit loss	(63,695,467)	(32,410,169)
Trade receivables - net	190,334,928	234,043,762
Other receivable	9,178,183	8,705,707
Total trade and other receivables	**199,513,111**	**242,749,469**

Trade receivables generally have 30 days terms. The company reserves the right to charge interest on overdue accounts with effect from the date the indebtedness was incurred. The rate of interest charged is prime rate plus two percentage basis points.

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

	2019 R	2018 R Restated
At amortised cost	199,513,111	242,749,469

Trade and other receivables pledged as security

During the year under review there were no trade and other receivables pledged as security for the overdraft facilities.

Exposure to credit risk

The company has no significant concentration of credit risk. It has policies in place to ensure that services are only rendered to customers with an appropriate credit history. Trade receivables comprise a large number of customers. The top three customers comprise 38% (2018: 47%) of trade receivables. Ongoing credit evaluations are performed on the financial position of these customers.

In addition, exposure is reduced by deposits of R5,8 million (2018: R7,4 million) held on behalf of customers, as well as bank guarantees of R111 million (2018: R105 million) from customers in the name of the company. The deposits are included in cash and cash equivalents (note 20) as unrestricted cash, with the related liability included in other payables (note 24). When the customer ceases to trade and settles the outstanding debt, the company is obliged to return the deposit to the customer. Should the customer default, the company may utilise the related deposit in settlement of the debt.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date. The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated on outstanding debtors exceeding 90 days and above as per credit policy.

The company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due. The following indicators are used:

1. Forward looking ECL model
2. The company also analyses the payment patterns for the past 12 months
3. The company analyses the total amount of sales that were made during the past 12 months
4. Broader range of information considered – historic and current information such as the following indicators:

- Withholding of services (grounding)
- Business rescue proceedings
- Liquidity factors
- Extended payment terms granted to the customer
- Defaults on extended payment terms
- Final notice to withhold services sent to the customer

The expected credit loss rate is representative of the company's credit loss for the year under review. The following is in place to address credit risk:

1. ATNS Credit Policy guides the treatment of defaulting debtors,
2. Regular credit evaluations are performed on the financial position of defaulting customers; and
3. Security deposits and bank guarantees for top clients and new operators

The loss allowance provision is determined as follows:

	2019 R		
	Estimated gross carrying amount at default	Impaired	Provision matrix
The ageing of trade receivables at the reporting date was:			
Not past due:	171,375,569	9,182,391	5%
Past due by 30 days:	26,307,480	4,421,948	17%
Past due by 31 to 60 days:	10,353,759	4,097,541	40%
Past due by more than 60 days:	8,667,752	8,667,752	100%
91 - 120 days past due:	37,325,835	37,325,835	100%
Total	**254,030,395**	**63,695,467**	

Reconciliation of loss allowances

In the current year the company adopted IFRS 9 and has elected to apply transitional provisions. The date of the initial application is 1 April 2018, being the beginning of the reporting period in which the company first applied IFRS 9. The transitional impact from IAS 39 to IFRS 9 is reflected below and ATNS selected to apply IFRS 9 retrospectively with the cumulative effect of initial application, at the date of initial application, being adjusted to the opening balance of retained earnings.

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	2019 R	2018 R
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	-	26,868,905
Adjustments upon application of IFRS 9	-	5,541,264
Opening balance in accordance with IFRS 9	**(32,410,169)**	**(32,410,169)**
Credit loss allowance on trade receivables	(45,324,164)	-
Bad debts write off	14,038,866	-
Closing balance	**(63,695,467)**	**(32,410,169)**

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired are assessed/ monitored by reference to historical information about counterparty default rates. The credit quality rating of each of these financial instruments are as follows:

High periods

Furthermore an assessment of the financial position of the company has not evidenced a weakening in either the financial position or liquidity of the company. As such the counterparties included in the high credit grade category pose a low credit risk to the company with the recoverability of the outstanding amounts being almost certain.

Medium credit grade

The counterparty has evidenced instances of defaults and/or renegotiations of contractual terms in prior periods on the repayment of outstanding amounts. An assessment of the financial position and liquidity position of the party has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. The counterparties included in this credit grade category are active in an industry that is highly sensitive to market fluctuations and volatility in international economies. As such the counter parties included in the medium credit grade category pose a medium credit risk to the company.

Low credit grade

The counter party has evidenced high occurrences of defaults and/or renegotiations of contractual terms in prior periods. Furthermore an assessment of the financial position and liquidity position of the party has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. As such the counter parties included in the low credit grade category pose a high credit risk to the company.

The terms and conditions attached to the instruments included in trade and other receivables have not been renegotiated during the period.

South Africa's low economic growth rate has put pressure on domestic carriers. This has resulted in defaults and breaches on some of the trade and other receivables during the period under review. The company continues to assess its exposure to defaults by assessing the quality of the financial instruments included in trade and other receivables.

	2018 R		
	Gross	Impaired	Not impaired
Trade receivables			
Not past due	158,778,030	(865,322)	157,912,708
Past due by 30 days	47,760,971	(861,340)	46,899,631
Past due by 31 to 60 days	37,187,150	(2,414,463)	34,772,687
Past due by more than 60 days	22,727,780	(22,727,780)	-
	266,453,931	**(26,868,905)**	**239,585,026**

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The company does not hold any collateral as security.

Exposure to currency risk

Refer to note 34 for details of currency risk management for trade receivables.

	Maximum exposure posed by the	Value of instrument
Exposure to credit risk		
Trade receivables	239,585,026	239,585,026

Refer to note 34 Financial instruments and risk management

Fair value

The carrying value of trade and other receivables approximates their fair values. Refer to note 31 for related party information.

17. Loans and receivables

	2019 R	2018 R
Loans and receivables		
Risk financing insurance policy The insurance policy is a cell captive asset	16,652,588	14,155,784
Current assets		
Loans and receivables	16,652,588	14,155,784

Nature of the policy

The policy provides cover for ATNS to limit the excess premiums that are payable on certain insurance risk. The above financial asset is non interest bearing and comprises USD- denominated and South African Rand bearing assets which are not quoted in an active market. The carrying amount is regarded as a fair approximation of the fair value, and is accessible within 30 days.

Collateral held

The instruments are unsecured and therefore no collateral is held.

Pledged as security

None of the instruments included in loan and receivables were pledged as security for any financial obligations.

18. Prepayments

	2019 R	2018 R
Short - term prepayments	16,357,362	10,602,938

Included in prepayments, are rental expenses and other operating expenses paid in advance. The company expects to receive credits for the related expenditure in the 2019/20 financial year.

The carrying value of prepayments approximates their fair values.

19. Tax paid

	2019 R	2018 R
Balance at beginning of the year	24,571,271	721,149
Current tax for the year recognised in profit or loss	(95,209,242)	(74,900,919)
Balance at end of the year	(26,831,534)	(24,571,271)
	(97,469,505)	**(98,751,041)**

	2019 R	2018 R
20. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances - US Dollar denominated	313,249,585	187,947,143
Bank balances	56,714,678	67,271,888
Short-term deposits	1,150,456,026	1,087,355,130
Other cash and cash equivalents	75,706	90,003
	1,520,495,995	**1,342,664,164**
Cash and cash equivalents include the following for the purpose of the cash flow statement:		
Cash and cash equivalents	**1,520,495,995**	**1,342,664,164**

Pledged as security

None of the instruments included in cash and cash equivalents were pledged as security for any financial obligations.

Exposure to currency risk

Refer to note 34 Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

21. Share capital

	2019 R	2018 R
Authorised		
500 million Ordinary shares with a par value of R1	500,000,000	500,000,000
Issued		
190 646 000 ordinary shares with a par value of R1 each	190,646,000	190,646,000
	Number of ordinary shares	Rand value of shares
Reconciliation of number of shares issued:		
Reported as at 1 April 2016	190,646,000	190,646,000
New issue	-	-
Outstanding shares at 31 March 2017	190,646,000	190,646,000
New issue	-	-
Outstanding shares at 31 March 2018	190,646,000	190,646,000
New issue	-	-
Outstanding shares at 31 March 2019	**190,646,000**	**190,646,000**

22. Finance lease obligation

	2019 R	2018 R
Minimum lease payments due		
- within one year	4,673,829	5,585,260
- in second to fifth year inclusive	4,719,152	9,392,982
	9,392,981	14,978,242
Less: future finance charges	(1,045,894)	(2,280,760)
	8,347,087	**12,697,482**
Present value of minimum lease payments		
Non-current liabilities	4,430,849	8,347,087
Current liabilities	3,916,238	4,350,395
	8,347,087	**12,697,482**

It is company policy to lease certain motor vehicles and printers under finance leases. The average lease term was three to five years for both the printers and motor vehicles, which is equal to the useful lives of these assets.

Interest rates are fixed for the various leased motor vehicles with the average of 11.5% and instalments are payable monthly in arrears.

The company's obligations under finance leases are secured by the lessor's charge over the leased assets.

23. Deferred income tax liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

The movement on the deferred income tax account is as follows:

	2019 R	2018 R
At beginning of the year	(91,563,580)	(90,966,066)
Recognised in statement of profit and loss and other comprehensive income	32,835,188	(597,514)
Total net deferred tax liability	**(58,728,392)**	**(91,563,580)**
Deferred income tax liability relates to the following:		
Property, plant and equipment	(102,543,951)	(128,971,898)
Finance lease	(1,234,123)	(68,193)
Provision	49,949,036	38,404,848
Loss allowance on trade receivables	(4,458,683)	(1,880,823)
Operating lease	499,058	166,635
24C allowance	(17,437,913)	(14,604,800)
Income received in advance	17,833,804	17,215,928
Prepayments	(1,335,620)	(1,825,277)
	(58,728,392)	**(91,563,580)**

	2019 R	2018 R
24. Trade and other payables		
Financial instruments:		
Trade payables	90,968,507	53,504,524
Accrued expenses	74,908,689	94,170,814
Leave pay accrual	35,527,016	33,649,771
Other payables	69,302,288	84,669,270
Non-financial instruments:		
VAT payable	4,402,067	4,600,756
	275,108,567	**270,595,135**

Fair value of trade and other payables

All trade and other payables are due within 30 days.

The terms and conditions attached to the instruments included in trade and other payables have not been renegotiated during the period.

There were no breaches or defaults on any portion (either capital or interest) of the trade and other payables during the year.

The carrying values of trade payables and short-term bank overdrafts are considered to be a reasonable approximation of fair value.

Refer to note 31 for related party information.

	2019 R	2018 R
25. Commitments		
Authorised capital & operational expenditure		
Already contracted		
Property, plant and equipment	373,150,142	432,421,028
Operating expenditure	221,283,650	164,535,587
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	9,910,973	11,065,743
- in second to fifth year inclusive	30,459,662	44,365,340
- later than five years	777,794	-
	41,148,429	**55,431,083**
Equalisation of operating lease liability		
Opening balance	595,125	1,533,295
Current year adjustment	1,187,226	(938,170)
	1,782,351	**595,125**

The company has entered into commercial leases on certain buildings and items of office equipment. These leases have an average life of between three and five years. With the exception of leases relating to copiers, there are no renewal options included in the contracts. There are no restrictions placed on the company by entering into these contracts.

	2019 R	2018 R
26. Contract liabilities		
Summary of contract liabilities		
Training to third parties	10,118,260	-
Reconciliation of contract liabilities		
Payments received in advance of delivery of performance obligations	10,118,260	-

A contract liability arises in respect of payments received from customers in advance before the company could satisfy the performance obligations. A contract liability is recognised for revenue relating to third party training at the time of the start of the training course.

27. Provisions

Reconciliation of provisions - 2019

	2019 R				
	Opening balance	Additions	Utilised during the year	Over/ (under) utilised	Total
Performance bonus	73,398,504	77,380,000	(69,688,828)	(3,709,676)	77,380,000
Capital expenditure projects	27,982,804	17,265,326	(27,401,759)	-	17,846,371
	101,381,308	**94,645,326**	**(97,090,587)**	**(3,709,676)**	**95,226,371**

Reconciliation of provisions - 2018 (Restated)

	2018 R				
	Opening balance	Additions	Utilised during the year	Over/ (under) utilised	Total
Performance bonus	67,971,672	73,326,920	(67,889,301)	(10,787)	73,398,504
Capital expenditure projects	-	27,982,804	-	-	27,982,804
	67,971,672	**101,309,724**	**(67,889,301)**	**(10,787)**	**101,381,308**

a. Performance bonus

The performance bonus provision is calculated based on the performance of the company as well as the individual performance ratings for the financial year ended 31 March 2019.

b. Capital expenditure projects

Is a Period of Beneficial Use (PBU) that System performance validation period commencing after system acceptance and running concurrently with the suppliers' system warranty for at least 12 months.

28. Cash generated from operations

	2019 R	2018 R Restated
Profit before taxation	250,662,208	263,045,644
Adjustments for:		
Depreciation and amortisation	170,211,038	127,489,463
Losses on disposals, scrappings and settlements of assets and liabilities	25,344,397	13,776,191
Net foreign exchange difference	(48,450,072)	29,874,630
Interest income	(88,561,243)	(85,787,619)
Finance costs	1,117,780	1,592,987
Net impairments and movements in credit loss allowances	5,541,264	(5,541,264)
Movements in operating lease assets and accruals	1,187,226	(938,170)
Movements in provisions and other non-cash items	(29,026,236)	23,898,898
Write-off of intangible assets	-	11,094
Impairment loss	4,326,579	5,921,746
Work in progress accruals	54,288,919	-
Movement of loans receivables	(2,496,804)	1,995,568
Impairment reversal	(814,411)	-
Changes in working capital:		
Decrease/(Increase) in Trade and other receivables	43,236,358	(48,955,303)
Increase in Prepayments	(5,754,424)	(5,708,941)
Increase trade and other payables	4,513,432	45,642,454
Contract liabilities	10,118,260	-
	395,444,271	**366,317,378**

The company currently does not have a borrowing facility for future operating activities since the facility has lapse, a submission was done to the Shareholder to obtain approval for the facility prior to going out on tender.

The company's total capital commitments for the year under review was R373 million (2018: R432 million).

At present the company is in a good position to fund the capital expenditure through cash generated from operations.

29. Guarantees and contingent liabilities

The company entered into an agreement with Department of Transport (DoT) as an implementing agent for the provision of a COSPAS-SARSAT Medium Earth Orbit Search and Rescue (MEOSAR) ground segment capability solution. The company received an advance payment of R52 million, however ATNS has not met the completion date of June 2019 as agreed in the agreement. The contingent liability of R6.6 million is attributable primarily to potential liabilities arising from matters relating to interest income on the R52 million advance payment. However, the interest payable to DOT was not captured in the agreement.

The company has guarantee that it would pay to the suppliers an amount of R9 million (2018: R4 million).

30. Retirement benefits information

Substantially all employees are members of the ATNS retirement fund. The fund is a defined contribution fund and is governed by the Pension Funds Act of 1956 which requires an actuarial valuation to be carried out every 3 years.

The ATNS retirement fund was established on 1 April 1994. The fund has been exempted from valuation with effect from 10 April 2012 and will from that date be subjected to quarterly assessments. The Fund applied for valuation exemption with effect from 31 January 2018 up to 31 January 2021 and the Registrar approved the application on 09 April 2019.

The latest actuarial assessment of the ATNS Retirement Fund was at 31January 2014. At that time, the ATNS retirement fund was certified by the reporting actuaries to be in a sound financial position. The company contributions to the ATNS Retirement Fund amounted to R77 million (2018: R71 million).

The company does not provide any post retirement benefits to employees and has no exposure to any post retirement benefit obligations.

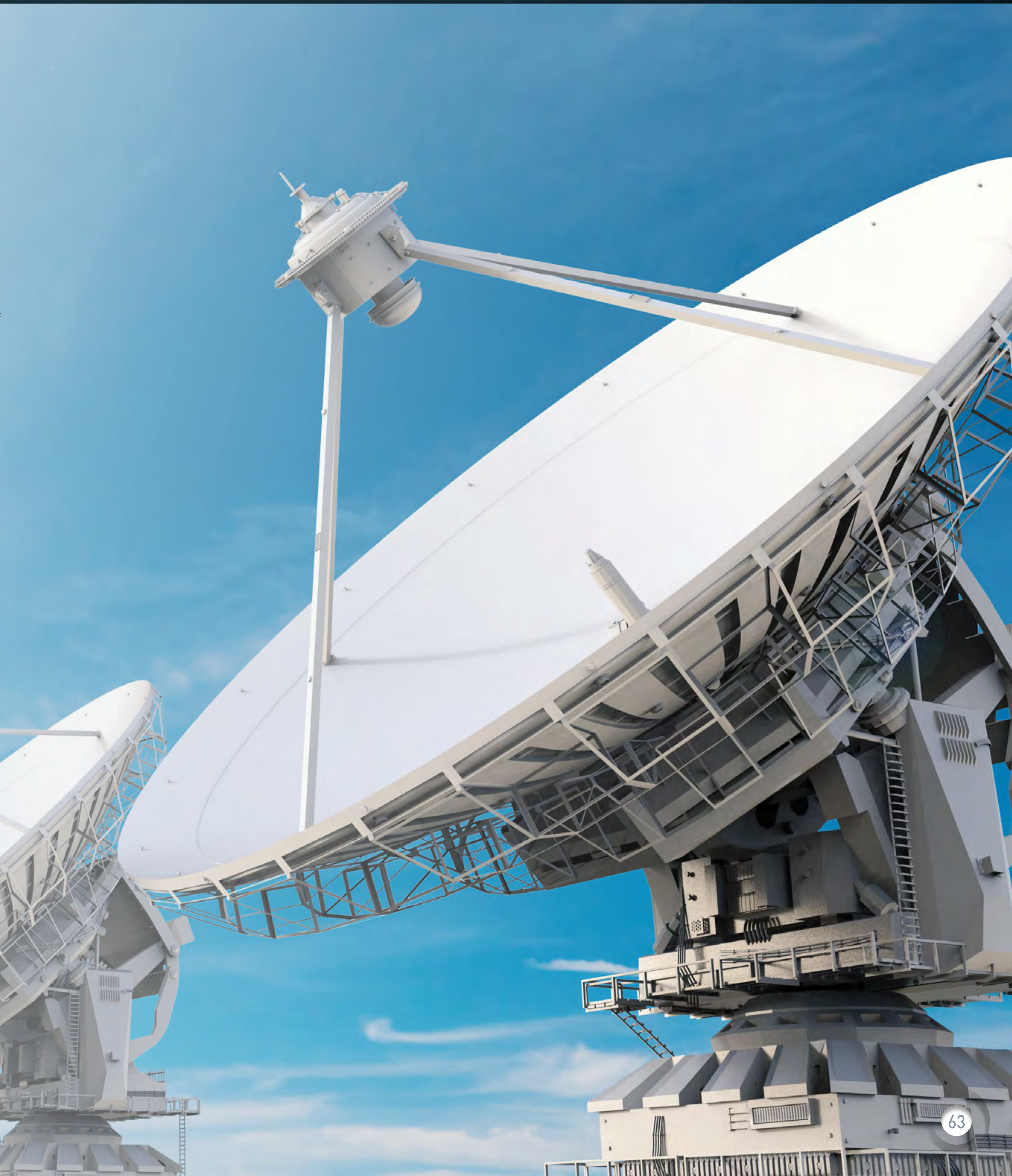
31. Related parties

Relationships

The sole shareholder of the ATNS is the Minister of Transport on behalf of the South African government in terms of section 6(5) of the Air Traffic and Navigation Services Company Act 1993. ATNS is a Schedule 2 public entity in terms of the Public Finance Management Act and therefore falls within the national sphere of government.

The related parties of ATNS consist mainly of government departments, state-owned enterprises, and other public entities in the national sphere of government, as well as directors and key management personnel. The list of public entities and the respective subsidiaries in the national sphere of government is provided by National Treasury.

Unless otherwise disclosed, all transactions with the below related parties are concluded on an arm's length basis.



	2019 R	2018 R
Year end balances arising from related party activity		
Receivable from related parties		
Airports Company of South Africa	8,705,848	4,621,399
South African Airways	25,015,863	70,856,305
South African Express	39,630,311	27,151,905
Tulca (Pty) Ltd Mango Airlines	17,593,846	15,760,322
City of Tshwane	1,014,717	1,896,123
North West Province	3,307,831	2,338,816
Msunduzi Municipality	2,076,991	614,694
Ethekwini Municipality	951,423	593,166
Gateway Airports Authority Limited	961,358	2,143,973
Department of Roads & Transport - Eastern Cape	1,190,430	1,292,062
Other	1,745,041	1,244,219
Payables to related parties		
Airports Company of South Africa	1,312,482	926,359
Eskom	577,076	730,825
South African Civil Aviation Authority	44,980	3,502,085
South African Revenue Services	7,291,519	4,678,806
Telkom	2,267,160	730,825
Department of Transport	52,160,000	52,160,000
Related party transactions		
Sales of services		
Airports Company of South Africa	16,066,731	14,541,308
North West Province	10,013,006	9,355,265
South African Civil Aviation Authority	4,809,380	3,973,401
South African Air Force Capital	2,083,354	2,316,435
South African Airways	278,018,561	355,694,443
South African Express	40,287,579	104,959,188
Tulca (Pty) Ltd Mango Airlines	201,846,685	151,687,456
South African Weather Services	2,289,182	2,208,353
City Council of Tshwane	11,651,553	10,819,534
Department of Roads and Transport - Eastern Cape	5,106,670	4,964,002

	2019 R	2018 R
Year end balances arising from related party activity (cont.)		
Gateway Airports Authority Limited	5,598,815	5,145,536
Msunduzi Municipality	4,245,850	3,509,050
Ethekwini Municipality	3,794,861	3,555,047
Other	396,154	1,085,109
Purchases of services		
Airports Company of South Africa	13,158,498	12,795,953
Eskom	7,692,648	8,230,624
South African Civil Aviation Authority	14,241,072	10,168,488
South African Revenue Services	255,113,937	229,047,646
Telkom	27,113,540	21,351,929
Sentech	2,573,403	-
Other	1,955,400	2,295,920

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

All the companies listed above report to the various ministerial departments of the government and hence are considered related parties.

32. Directors' and prescribed officer's emoluments

All non-executive directors are South Africans.

The service contracts for the executive directors is for a term of five years. The notice period for the CEO is six months. The service contract for the non-executive directors is for a period of 3 years, subject to retirement at the annual general meeting. Compensation for non-executive directors is in accordance with the State Owned Enterprise guidelines. The contract of the CEO also deals with compensation if the CEO is dismissed or if there is material change in the role, responsibilities or remuneration.

The executive management team is eligible for an annual performance related bonus payment linked to appropriate business sector targets. The structure of the bonus plan and award is recommended by the Human Resources Committee in accordance with the bonus scheme rules. The performance related bonus is limited to 25% for the Executive Manager's individual cost to company and 30% for the CEO based on his individual cost to company . There were no post employment benefits, share based payments or other long term benefits paid in the current financial year.

Executive – 2019

	2019 R		
	Emoluments	Incentive bonus	Total
T. Kgokolo**	2,185,119	-	2,185,119
D.S.T Mthiyane (Term of Office Expired: 30 September 2018)	2,347,966	-	2,347,966
S. Malinga	2,975,460	-	2,975,460
M.W Ndlovu (Resigned: 28 May 2018)	827,707	-	827,707
L. Mahamba (Appointed: 01 April 2018)	2,013,163	-	2,013,163
S. Mngomezulu	2,177,374	-	2,177,374
P.T Mdebuka (Appointed: 01 April 2018) ****	1,880,292	237,715	2,118,007
H.J Marais	2,183,972	-	2,183,972
T.V Ndou	2,231,342	-	2,231,342
D.H Sangweni	2,519,541	-	2,519,541
D.P Majozi***	1,723,837	-	1,723,837
T. Myeza	2,554,390	-	2,554,390
P. Boshielo	2,031,589	-	2,031,589
J. Matshoba	2,270,977	-	2,270,977
M.M Maqashelana (Appointed: 01 July 2018) ****	944,841	201,414	1,146,255
C.J Thomas (Appointed: 01 October 2018)	973,952	-	973,952
L. Ngcwabe (Appointed: 01 February 2019)	328,287	-	328,287
	32,169,809	**439,129**	**32,608,938**

* For the year under review there were no incentive bonus payments to executives.

** T. Kgokolo was appointed as the Interim CEO on 1 October 2018 while the board and the Shareholder are finalising the recruitment of the permanent CEO.

*** D.P Majozi emoluments is for the period 01 June 2018 to 28 February 2019.

**** Incentive bonus was paid out in respect of the employee performance as senior manager and not executive manager.

Executive – 2018

	2018 R		
	Emoluments	Incentive bonus	Total
D.S.T Mthiyane	4,090,056	1,008,679	5,098,735
M.W Ndlovu	2,835,377	546,056	3,381,433
S. Malinga	2,833,940	300,528	3,134,468
S. Mngomezulu	2,165,876	486,703	2,652,579
H.J Marais	2,077,982	175,224	2,253,206
T.V Ndou	2,146,441	449,476	2,595,917
D.H Sangweni	2,557,528	581,062	3,138,590
T. Thankge (Resigned: 07 February 2018)	1,820,358	396,631	2,216,989
T. Myeza	2,418,150	534,581	2,952,731
P. Boshielo	1,948,439	366,068	2,314,507
J. Matshoba	2,145,164	327,278	2,472,442
A.A Swartbooi (Resigned: 31 March 2018)	1,792,386	-	1,792,386
	28,831,697	**5,172,286**	**34,003,983**

Non-executive – 2019

	2019 R	
	Directors' fees	Total
S. Thobela	1,126,558	1,126,558
S. Badat	1,014,144	1,014,144
K.N Vundla	693,078	693,078
K.S Boqwana	1,072,846	1,072,846
Z.G Myeza	971,436	971,436
N.L.J Ngema	935,449	935,449
N. Kubheka (Appointed: 22 August 2018)	410,911	410,911
C.R Burger (Appointed: 01 February 2019)	27,722	27,722
J.C Trembath (Appointed: 01 February 2019)	27,722	27,722
D.G Mwanza (Retired: 31 August 2018)	480,060	480,060
E.M Mphahlele (Resigned: 08 August 2018)	403,521	403,521
T. Kgokolo (Resigned: 30 September 2018)	412,371	412,371
	7,575,818	**7,575,818**

T. Kgokolo was appointed as the Interim CEO from 01 October 2018 while the board and the Shareholder are finalising the recruitment of the permanent CEO.

Non-executive – 2018

	2018 R	
	Directors' fees	Total
P. Riba (Resigned: 18 May 2017)	92,446	92,446
N. Mtshali (Resigned: 14 September 2017)	238,149	238,149
B. Ssamula (Resigned: 14 September 2017)	327,027	327,027
S. Hari (Resigned: 13 September 2017)	220,813	220,813
E.M Mphahlele (Resigned: 08 August 2018)	1,119,743	1,119,743
I. Nkama (Resigned: 13 September 2017)	281,830	281,830
P.Q Dhlamini (Resigned: 31 December 2017	330,542	330,542
D.G Mwanza (Retired: 31 August 2018)	583,407	583,407
	3,193,957	**3,193,957**

Prescribed officers – 2019

		2019 R	
	Basic salary	Incentive Bonus	Total
J.M Manyakoana	1,847,707	314,648	2,162,355
S.W Nkabinde	1,539,570	159,133	1,698,703
C.H Gersbach	1,603,068	220,242	1,823,310
R. Madlala	1,794,583	260,496	2,055,079
H. Reid	1,939,001	343,733	2,282,734
K. Sebopa	1,421,304	177,570	1,598,874
J.M Moholola	1,867,607	303,573	2,171,180
V.L Mofolo (Appointed: 01 October 2018)	558,854	-	558,854
L.T Ndelu	1,109,487	117,542	1,227,029
N. Phakathi	1,392,479	197,956	1,590,435
	15,073,660	**2,094,893**	**17,168,553**

Prescribed officers – 2018

		2018 R	
	Basic salary	Incentive Bonus	Total
L.T Ndelu	1,138,334	109,591	1,247,925
S.W Nkabinde	1,433,967	187,083	1,621,050
N. Phakathi	1,304,852	221,733	1,526,585
R. Madlala	1,539,976	233,427	1,773,403
H. Reid	1,820,769	329,065	2,149,834
J.M Manyakoana	1,834,086	319,467	2,153,553
J.M Moholola	1,629,028	274,785	1,903,813
D.J Watts	1,494,125	237,137	1,731,262
C.H Gersbach	1,488,243	197,356	1,685,599
K. Sebopa	1,351,076	177,640	1,528,716
	15,034,456	**2,287,284**	**17,321,740**

33. Prior period errors

Corrections were made and appropriated to the Retained Earnings account during the financial year end 31 March 2018.

The nature of the correction are as follows:

Property, Plant and Equipment

a. Newly found

The prior period adjustments relate to the physical asset verification that was performed in March 2019. During the verification exercise there were assets that were identified on the floor and could not be traced or linked to the fixed assets register due to insufficient documentation in the old fixed assets register. These were accounted as at 01 April 2017 financial year end as this was the most practical year to restate, an amount of R32 million relate to these newly identified assets. The reasons why it was impractical to quantify and restate prior years to the current financial year are listed below:

- Those assets were identified as a result of a verification that was performed in the 2019 financial year.
- All attempts to link the assets to line items that were in the existing assets register such as description, location and serial number were not successful.
- There is no documentation available to assist in determining when the assets were acquired.

b. PBU assets not recorded in 2017/18 financial year end

PBU cost amounting to R9 million, withheld on completed projects, which was accounted in the incorrect financial period. The PBU was recorded in the 2018/19 financial year instead of the 2017/18 financial year. These amounts were not capitalised in the fixed asset register when the asset was ready for use in accordance with IAS 16.

	2018 R	2017 R
A summary of the changes to the prior year results is as follows:		
Statement of Financial Position		
Property, plant and equipment	41,892,780	-
Opening retained earnings	32,382,041	-
Provisions	9,510,739	-

Revenue

During the year under review it was discovered that rental revenue for squitters amounting to R904 048 was not recognised in the 2017/18 financial year due to an oversight.

	2018 R	2017 R
Details of the appropriations are as follows:		
Increase revenue	904,048	-
Increase income tax expense	(253,134)	-
	650,914	-

Provisions

During the year under review the company reclassified the leave pay provision as well as the SWACAA provision to accruals in accordance with IAS 37.11(b) since the company has the obligation to compensate the employees for the accrued leave days as well as the settlement to SWACAA. As a result of the reclassification of provisions to accruals the company has therefore applied IAS 1.40A which requires us to present a third statement of financial position at the beginning of the preceding period which is 2017.

	2018 R	2017 R
Details of reclassification are as follows:		
Decreased provision	(36,892,746)	(31,291,499)
Increased trade and other payables	36,892,746	31,291,499
	-	-

34. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

		2019 R	
	Notes	Amortised cost	Total
Trade and other receivables	16	199,513,111	199,513,111
Cash and cash equivalents	20	1,520,495,995	1,520,495,995
Loans and receivable	17	16,652,588	16,652,588
		1,736,661,694	**1,736,661,694**

		2018 R	
	Notes	Amortised cost	Total
Trade and other receivables	16	242,749,487	242,749,487
Cash and cash equivalents	20	1,342,664,164	1,342,664,164
Loans and receivable	17	14,155,784	14,155,784
		1,599,569,435	**1,599,569,435**

Categories of financial liabilities

			2019 R	
	Note(s)	Amortised cost	Leases	Total
Trade payables	24	90,968,507	-	90,968,507
Finance lease obligations	22	-	8,347,087	8,347,087
Operating lease accrual	25	-	1,782,351	1,782,351
VAT payable	24	4,402,067	-	4,402,067
Accrued expenses	24	110,435,705	-	110,435,705
Other payable	24	69,302,288	-	69,302,288
		275,108,567	**10,129,438**	**285,238,005**

			2018 R	
	Notes	Amortised cost	Leases	Total
Trade payables	24	53,504,524	-	53,504,524
Finance lease obligations	22	-	12,697,482	12,697,482
Operating lease accrual	25	-	595,125	595,125
Vat payable	24	4,600,756	-	4,600,756
Accrued expenses	24	127,820,585	-	127,820,585
Other payables	24	84,669,270	-	84,669,270
		270,595,135	**13,292,607**	**283,887,742**

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, interest rate risk and price risk).

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board has established the Audit and Risk Committee, which is responsible for developing and monitoring the company's risk management policies. The committee reports quarterly to the board of directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The company's Audit and Risk Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Audit and Risk Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loans receivable, trade and other receivables, cash and cash equivalents.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. Sufficient guarantees and security deposits are also obtained when necessary for those clients whose billing exceed R100 000. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the company through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all trade receivables were there are potential defaults.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12-month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12-month expected credit losses. This determination is made at the end of each financial period. Thus, the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12-month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

The maximum exposure to credit risk is presented in the table below:

		2019 R		
	Notes	Gross carrying amount	Credit loss allowance	Amortised cost/fair value
Trade and other receivables	16	263,208,578	(63,695,467)	199,513,111
Cash and cash equivalents	20	1,520,495,995	-	1,520,495,995
		1,783,704,573	**(63,695,467)**	**1,720,009,106**

		2018 R		
	Notes	Gross carrying amount	Credit loss allowance	Amortised cost/fair value
Trade and other receivables	16	275,159,656	(32,410,169)	242,749,487
Cash and cash equivalents	20	1,342,664,164	-	1,342,664,164
		1,617,823,820	**(32,410,169)**	**1,585,413,651**

Amounts are presented at amortised cost. The fair value is equal to the gross carrying amount.

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through cash generated from operations.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

		2019 R
	Notes	Carrying amount
Non-current liabilities		
Finance lease liabilities	22	4,430,849
Current liabilities		
Trade and other payables	24	275,108,567
Finance lease liabilities	22	3,916,238
		283,455,654

		2018 R
	Notes	Carrying amount
Non-current liabilities		
Finance lease liabilities	22	8,347,087
Current liabilities		
Trade and other payables	24	265,994,378
Finance lease liabilities	22	4,350,395
		278,691,860

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Where applicable, the company uses financial instruments to hedge certain risk exposures.

Market risk - Foreign exchange risk

The company transacts internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Dollar (USD), British Pound (BP) and the Euro (EUR). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The company manages its exposure to foreign exchange risk by ensuring that the net uncovered foreign currency position is minimised and by using the derivative instruments to hedge certain exposures where applicable.

	Notes	2019 R	2018 R
US Dollar exposure:			
Current assets:			
Trade and other receivables	16	16,336,097	11,730,216
Cash and cash equivalents	20	313,249,585	187,947,143
Loans and receivables		13,135,107	10,703,216
Current liabilities:			
Trade and other payables	24	(6,298,863)	(5,020,356)
Net US Dollar exposure		**336,421,926**	**205,360,219**

	2019	2018
Exchange rates		
The following closing exchange rates were applied at reporting date:		
Rand per unit of foreign currency:		
US Dollar	14.62	11.77

Foreign currency sensitivity analysis

The following information presents the sensitivity of the company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

A 10% strengthening in the Rand against the below currencies at 31 March 2019 would have decreased profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 31 March 2018.

A 10% weakening in the Rand against the above currencies at 31 March 2019 would have had the equal but opposite effect to the amounts shown below, on the basis that all other variables remain constant.

	2019 R		2018 R	
	Increase	Decrease	Increase	Decrease
Increase or decrease in rate				
Impact on profit or loss:				
US Dollar	33,653,695	-	20,536,061	-
Impact on equity:				
US Dollar	33,653,695	-	20,536,061	-
	67,307,390	**-**	**41,072,122**	**-**

35 Events after the reporting period

Management is not aware of any significant events that occurred after the reporting date that would require adjustments to or disclosure in the financial statements. Furthermore, management is not aware of any circumstances which exist that would impede the company's ability to continue as a going concern.

However, subsequent to year end, major capital expenditure commitments were made.

36 Going concern

The 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 that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management's assessment of the going concern assumption involves making a judgement at a particular point in time about the future outcome of events or conditions which are inherently uncertain. The particular events or conditions, which may give rise to business risks, that individually or collectively may cast doubt about the going concern assumption.

Therefore, at year end there are no events or conditions, which may give rise to business risks that individually or collectively may cast doubt about the company's ability to continue as a going concern.

37. Irregular expenditure

	2019 R		
	Restated Opening balance	Additions	Total
Reconciliation of irregular expenditure – 2019			
Opening balance	86,820,129	-	86,820,129
Amount recognised in current year	-	32,045,936	32,045,936
	86,820,129	**32,045,936**	**118,866,065**

	Restated Opening balance	2018/19 Additions	Total
Details of irregular expenditure as at 2019			
Insufficient number of quotations	1,176,866	-	1,176,866
Insufficient number of quotations for emergencies - no proper procurement process followed	272,680	-	272,680
Quotations awarded in excess of procurement threshold	5,945,257	-	5,945,257
Splitting of quotations	700,780	-	700,780
Payments exceeds contract value	2,932,176	718,132	3,650,308
Credit card expenses	4,060,655	-	4,060,655
Suppliers paid without contract	23,704,527	6,372,789	30,077,316
Incorrect procurement process	-	633,762	633,762
Supplier appointed without following normal procurement process	48,027,188	24,321,253	72,348,441
	86,820,129	**32,045,936**	**118,866,065**

38. Fruitless and wasteful expenditure

	Opening balance FY 2017/18	FY 2018/19	Total
Reconciliation of Fruitless and wasteful expenditure – 2019			
Opening balance	607,538	-	607,538
Amount recognised in current year	-	157,983	157,983
	607,538	**157,983**	**765,521**

	2019 R	2018 R
Details of fruitless and wasteful expenditure		
Interest and penalties	215,563	57,580
Web application Firewall services	462,533	462,533
Appointment of special advisors	87,425	87,425
	765,521	**607,538**

During the year under review, various services were engaged in manner that resulted in fruitless and wasteful expenditure mainly on interest paid.

ATNS 2019 Financial Report – Abbreviations

ATC	Air Traffic Controller
ATS	Air Traffic Services
BP	British Pound
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CNS	Communication, Navigation and Surveillance
DoT	Department of Transport
ECL	Expected Credit Losses
EUR	Euro
GAAP	Generally Accepted Accounting Principles
IFRS	International Financing Reporting Standards
IIA	Institute of International Auditors
ISA	International Standards on Auditing
KPI	Key Performance Indicator
MEOSAR	Medium Earth Orbit Search and Rescue
NAFISAT	North Eastern African-Indian Ocean VSAT Network
PAA	Public Audit Act
PBN	Performance Based Navigation
PBU	Period of Beneficial Use
PFMA	Public Finance Management Act, Act, No. 1 of 1999
PTY LTD	Propriety Limited
ROCE	Return on Capital Employed
RSI	Risk Safety Index
SACAA	South African Civil Aviation Authority
SADC	Southern African Development Community
SWACAA	Swaziland Civil Aviation Authority
SOC	State-Owned Company
TETA	Transport Education and Training Authority
USD	United States Dollar
VAT	Value-Added Tax
VSAT	Very Small Aperture Terminal

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