2022 ANNUAL FINANCIAL STATEMENTS

AIR TRAFFIC AND NAVIGATION SERVICES COMPANY SOC LTD

Our reporting theme

REBUILDING FOR THE FUTURE
ATNS: a future-fit organisation

ATNS provides air traffic and navigation services across 6% of the world's airspace. However, looking to the future, we are privileged to be an organisation comprised of thought-leaders dedicated to excellence, technological innovation and sustainability. Importantly, we are also developing and rebuilding the future aviation workforce as a world-class provider of air traffic management training. Combined, ATNS is well-positioned to secure value realisation in aviation for years to come.

Within our business model and strategy, we are acutely aware of our external environment and how this is changing. Most recently, global aviation has been severely impacted by COVID-19, as we continue to understand the pandemic's longer-lasting impacts and how to best proactively future-proof ourselves against the devastating effects of future pandemics and other large-scale external disruptions. However, throughout history, aviation has been impacted by change, and ATNS has continually proven its ability to remain resilient, and to prioritise, strategise, conserve and collaborate in response to the external environment.

Rebuilding our business given the external environment of the future

The strength of the global economy will be a key determinant in aviation's recovery and re-emergence post-COVID-19. Fuel and gas prices and utility costs remain high and uncertain with personal and business budgets tight worldwide necessitating changes in ways of living for leisure travellers and business clients. Looking further ahead, trading shifts, growth within developing nations and new markets are all expected to influence aviation. Geopolitics, including changes in worldwide institutions and governance, peace and conflict, and international trade will also shape the future, and relationships between key economies, such as the US and China, may impact aviation demand.

In direct response to COVID-19, mindsets are changing, and higher premiums are being placed on the health protection of travellers and staff. Hybrid ways of working are expected to result in permanently altered business travel, and, like for previous global crises, leisure travel is projected to play a significant role in supporting the post-COVID recovery. This has implications for optimal aircraft size, cabin layout, airport infrastructure and, ultimately, air traffic.

As for the entire transport sector, aviation must also meet challenges associated with the pursuit of the UN's Sustainable Development Goals. For example, societal expectations around climate change and carbon emissions are changing, and, although CO_2 emissions from aviation continue to be relatively low, at approximately 2.1%, compared with other transport types, the significance of aviation's role may increase as targets are met elsewhere. As part of the global transport system, we remain committed to the global targets of decarbonisation as agreed during the United Nations Framework Convention on Climate Change (UNFCCC) process and the most recent COP26 meeting, and as endorsed by the International Civil Aviation Organisation (ICAO) assembly.

Demographic trends are also projected to impact how we are to rebuild to ensure our success in the future. Population growth, global ageing and middle-class growth across the African continent are forecast to support aviation. However, these factors may also drive greater diversification of the customer base, which will place additional emphasis on aviation organisations to deliver improved service accessibility, personalisation and responsiveness.

Perhaps one of the most significant areas of uncertainty, as we rebuild for the future, includes the impact of technological innovation. In just over a single century, the industry has gone from learning to fly, to flying faster, further, and more frequently, setting the scene for ambitious technological change going forward.

Irrespective of the shape of change, aviation is set to continue as a fundamental means of transporting people and cargo around the globe, and it is becoming ever-accessible.

Harnessing external trends as opportunities

If we are to remain competitive and at the forefront of change, we must be ready to meet and harness changing external conditions and ambitious innovations within aviation infrastructure and airspace utilisation. Indeed, during the pandemic, many aviation organisations responded with success and agility by diversifying their business model.

With our eyes fixed firmly on rebuilding for the future to ensure our financial and operational resilience, and with people, partnerships and the planet being core elements of our outlook and sustainability mindset, we stand in good stead to be a key player, shaper and influencer in the sustainable future of aviation. It is true that the world of aviation is subject to volatility, uncertainty and complexity but it also offers significant opportunities for organisations who can position themselves with the necessary agility, proactivity and responsiveness to harness all the positives that this brings.

Our reporting suite

We are committed to reporting openly and honestly to our broad range of stakeholders. Our reporting suite comprise our:

Integrated Report

Our integrated report is the primary report to our stakeholders. It is structured to show the relationship between the interdependent elements involved in our value creation and preservation story, while limiting or avoiding value erosion.

Annual Financial Statements

The annual financial statements provide a comprehensive report of ATNS's financial performance for the 2022 financial year from 1 April 2021 to 31 March 2022.

GRI Index

Our GRI index summarises our disclosures, many of which are cross-referenced to our integrated report and this annual financial statements, as they relate to our economic impacts. A copy of our GRI index is available on our website at www.atns.co.za.

Our report guide

01 OUR FINANCIAL OVERVIEW

(The following supplementary information does not form part of the audited financial statements and is unaudited)

02 OUR FINANCIAL STATEMENTS

(The reports and statements set out below comprise the audited financial statements presented to the shareholder)

03 FINANCIAL STATEMENTS NOTES

(The below accounting policies and notes form part of the audited financial statements presented to the shareholder)

Basis of preparation

The Annual Financial Statements (AFS) of ATNS have been audited in compliance with section 30 of the South African Companies Act (No 71 of 2008). Mr Matome Moholola CA(SA) as the, Chief Financial Officer, is responsible for this AFS and has supervised the preparation thereof in conjunction with Ms Pinky Phaswana CA(SA), Senior Finance Manager. The AFS are reviewed by management, ATNS's Audit and Risk Committee and our Board and are audited by the external auditors of the company. Internal Audit performs specific procedures on certain account balances in the AFS.

Internal control framework

ATNS follows a combined assurance model in assessing internal controls, which is led by our Internal Audit function, in terms of an assurance plan approved by our Audit and Risk Committee. The combined assurance process is monitored and evaluated under the direction of Internal Audit, while external audit teams cover key controls and accounting matters in the course of their audits. Other levels of external assurance are obtained as and when required. Nexia SAB&T Auditors are our external assurance providers and their independent auditors' report is contained on pages 22 - 27 of our AFS.

Our business at a glance

Our mandate

Air Traffic and Navigation Services Company SOC Limited (ATNS) was established in 1993 in terms of the ATNS Company Act (Act 45 of 1993) for the acquisition, establishment, development, provision, maintenance, management, control or operation of air navigation infrastructures, air traffic services or air navigation services.

Our mission

is to be a safe and efficient provider of air traffic management solutions. We seek to achieve our mission through our talented people, our technology advancements, sound governance and operational and

Our vision

is to be the leading provider of air traffic management solutions in Africa.

Our values

- We ensure that safety and customer service remain at the core of all that we do
- We encourage employee engagement and development
- We value and promote continuous improvement and innovation
- We drive fairness and consistency in our actions
- We take accountability for our individual, team and organisational performance
- We foster open and effective communication

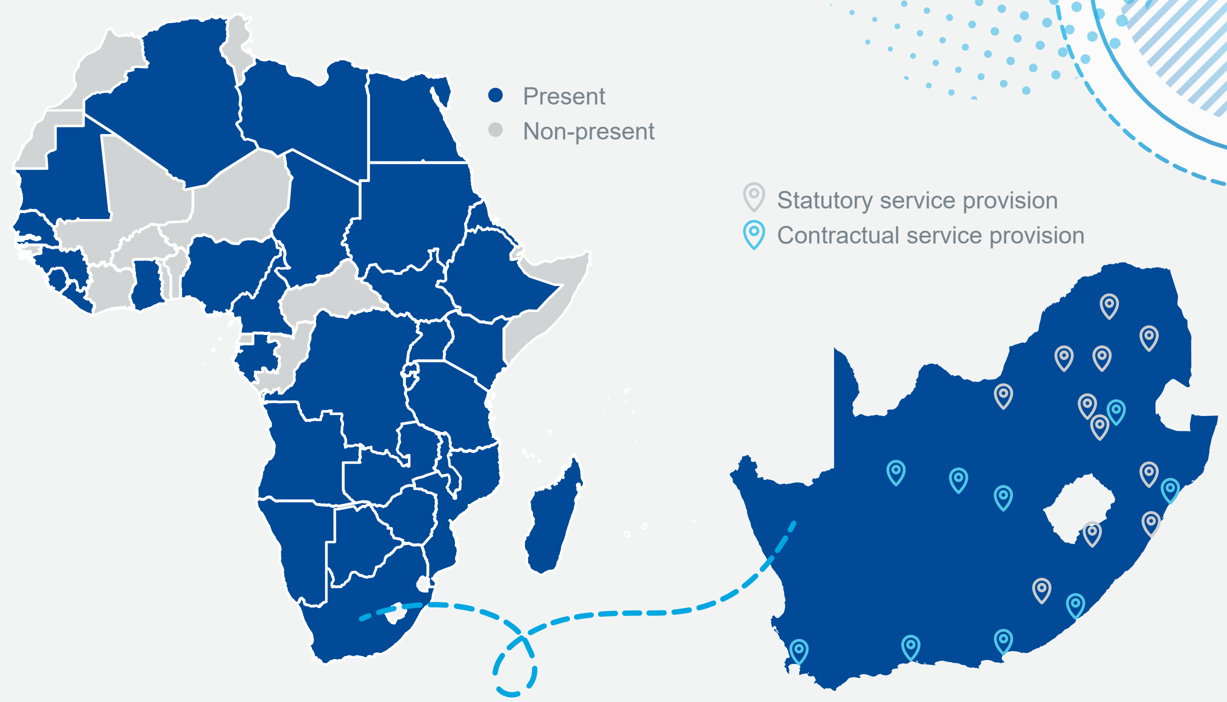
Our key activities

ATNS is responsible for providing safe and expeditious flights across 6% of the world's airspace. Our work is informed by our Shareholder Compact, which we have with our shareholder, the Department of Transport, and serves to support the achievement of our shareholder priorities. Our strategic objectives and key performance indicators are mapped against the six capitals and are divided into three core sustainability segments being our efforts and outlook relating to people, partnerships and the planet. As such, our underlying purpose is to make a significant and sustainable contribution to the aviation industry, the South African and African continent development goals and society as a whole.

We provide air traffic navigation, training and associated services within South Africa and a large part of the African Indian Ocean region and surrounding regions. While air traffic control and safe skies remain our primary business, we also fulfil a broader role, such as consulting as an example, making ATNS a key player in contributing to the aviation industry through:

- Our Civil Air Navigation Service Organisation (CANSO) membership and active participation
- Our participation in International Civil Aviation Organisation (ICAO) stakeholder groups and contributions at the assembly through our shareholder, the Department of Transport
- The provision of aeronautical information for flight planning purposes
- The commissioning and maintenance of world-class communications, navigation and surveillance infrastructure
- The ongoing attraction, development and retention of highly skilled personnel and air traffic controllers
- Fostering thought-leaders who are dedicated to service excellence, technology advancement, innovation (more broadly speaking) as well as to sustainability

Geographic reach



Directors' report

The directors have pleasure in submitting their report on the financial statements of Air Traffic and Navigation Services Company SOC Limited for the year-ended 31 March 2022.

1. Nature of business

Air Traffic and Navigation Services Company SOC Limited (the company) was incorporated in South Africa. The company operates mainly in South Africa and also in some 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 the 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 (No. 45 of 1993) (the ATNS Company Act) 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 (No. 1 of 1999) (PFMA) 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 in 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-making approach 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 (SACM) as mandated under the Civil Aviation Act, (No.13 of 2009) as amended in 2016. The entity continues to adopt leading practices 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 Department of Transport. The ATNS Company Act requires ATNS to seek permission from the Regulating Committee in order 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, 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 2021/22 was the fourth year of the current permission.

In terms of section 11 of the ATNS Company Act, the company is required to submit a request for permission to levy regulated charges to the Regulating Committee. Accordingly, the ATNS Company Act prohibits the company from levying any air traffic charges unless it is in possession of a valid permission.

The current permission as, approved by the Regulating Committee, will be for a full five-year term to 2022/23. The application process for the 2023/24 to 2027/28 Permission has commenced and is expected to be completed in the next financial year.

5. Overall performance

The impact of the COVID-19 global pandemic continued to have a negative impact on the organisation. The Delta variant resulted in a significant reduction in tariff revenue in the months of July and August 2021, as some airlines suspended their operations. Further to this, South Africa discovered the Omicron variant in the country, which led to most countries around the world to issue travel alerts advising against travel to South Africa. However, this notwithstanding, revenue increased by 86% to R1.017 billion (2021: R547 million) mainly due to increased billable movements from 102 798 (2021) to 206 134 in the current year; the increase is mainly attributable to the domestic market.

Operational costs increased by 6% to R1.235 billion (2021: R1.168 billion) mainly due to an increase in staff-related costs as a result of the section 189 of the Labour Relations Act process. Employees were offered benefits through voluntary severance and early retirement packages.

Capital expenditure increased to R186 million (2021: R155 million) mainly due to the implementation of navigational and surveillance projects.

The company's liquidity ratio decreased to 2.3:1 (2021: 3.3:1) mainly due to cash reserves being depleted, however the ratio is still above the norm of 2:1 and our gearing is at 4.4% (2021: 3.7%).

As a regulated entity, ATNS measures its ROCE in line with the approach document issued by the Regulating Committee. For the reasons mentioned above, the return on capital employed (ROCE) is -11% (Regulated ROCE is -29%).

The ROCE is a measure of the extent to which a company utilises its resources efficiently to generate profits. Regulated ROCE is based on the Regulating Committee formula.

Cash generated from operations improved by 60% to -R228 million (2021: -R567 million) mainly due to improved debt collections. The entity's cash reserves continued to deteriorate in the current year to R408 million (2021: R830 million). This is mainly attributable to the lower than expected traffic as a result of continued travel restrictions.

6. Dividends

No dividends were declared or paid to the shareholder during the year (2021: R nil).

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 R375 million (2021: R539 million).

The current year's capital expenditure commitments decreased as a result of the revised implementation plan, which resulted in the deferral of new commitments while continuing to implement active capital projects during the period under review.

9. Accounting policies

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

10. Directorate

The directors in office at the date of this report are listed in the table below.

List of Directors

Directors	Date Appointed	Capacity	Nationality
S.Thobela	21 May 2018	Chairperson	South African
N. Mdawe	01 April 2022	Chief Executive Officer	South African
M. Moholola	01 August 2019	Chief Financial Officer	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
T. Kgokolo	13 April 2018	Non-executive	South African
J.C. Trembath	01 February 2019	Non-executive	South African
C.R. Burger	01 February 2019	Non-executive	South African

11. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date, except for the following;

- A key customer for the entity announced that it is to be liquidated, as the customer had been in business rescue since the beginning of the COVID-19 pandemic. This is a non-adjusting event as it happened after year-end with the amount owed at the end of March 2022 paid in April 2022.
- ATNS fulfilled the conditions required to access the loan facility of R500 million secured with a lender. The loan facility has been secured to fund ATNS's capital expenditure plans. For the terms and conditions of the facility refer to section 12 below.

12. Going concern

The current permission (to levy charges) will remain in effect for a full five-year period, thus, unlike in prior years, the entity will implement tariffs set five years ago. Given the time lapse and the impact of COVID-19, these tariffs pose a threat to the entity's going concern status.

However, management has considered the following factors:

- ATNS secured a borrowing facility of R500 million to fund its capital expenditure. For details of the loan, refer to note 34.
- Cash as at the end of the reporting period being R408 million.
- The salary bill was re-based following a section 189 process of the Labour Relations Act. This process was implemented during the financial year and has since been completed. Early retirements and voluntary severance packages were offered to employees and a total of 81 employees took this offer which resulted in the entity achieving a long-term saving of R50 million. No retrenchments occurred due to this process.
- The process to apply for the new permission for the financial years 2023/24 to 2027/28 is currently underway. The new tariffs are expected to cover the entity's operating costs.
- Management updated the entity's forecast post the liquidation of a key customer in June 2022. The projections indicate that despite the loss of the key customer the entity will continue as a going concern in the foreseeable future

Based on the above considerations, the Board of directors is of the view that the entity remains to be a going concern.

13. Irregular expenditure

The Board commends management for the significant improvement and reduction of irregular expenditure during the year under review. The Board further notes that irregular expenditure incurred was due to control weaknesses in supply chain management (SCM) and poor contract management relating to legacy contracts.

Considerable efforts have been expended in improving the SCM and consequence management processes. In addition, training for employees involved in the procurement of goods and services has been conducted.

The root causes are being addressed and the Board is committed to ensure that adequate control measures are being put in place to prevent recurrence. This is evidenced by the significant reduction in irregular expenditure incurred in the period under review - the amount incurred was 92 000 (2021: R9.7 million).

14. Directors' interests in contracts

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

15. Auditors

Nexia SAB&T continued in office as auditors for the company for 2022.

16. Secretary

The Acting Company Secretary is Ms. Nthabiseng Mongali.

Postal address:

Private Bag X15
Kempton Park
1620

Business address:

Eastgate Office Park
Block C
South Boulevard Road
Bruma
2198

The financial statements set out on pages 28 to 82, which have been prepared on the going concern basis, were approved by the Board of directors on 22 August 2022, and were signed on its behalf by the Chairperson and Non-Executive Director of the Board.

Approval of financial statements

Simphiwe Thobela
Chairperson and Non-Executive Director

Nozipho Mdawe
Chief Executive Officer
and Executive Director

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 2022.

This independent statutory committee is appointed by the shareholder, the Department of Transport of the Air Transport and Navigation Services Company SOC Limited (the company). The committee's statutory responsibilities are defined by the Public Finance Management Act (No. 1 of 1999) (PFMA) and the Companies Act (No. 71 of 2008) (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 compliance with these terms of reference.

1. Members of the Audit and Risk Committee

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:

Membership of the committee

Name	Date Appointed
S. Badat (Chairperson)	25 April 2018
K. Vundla	25 April 2018
K Boqwana	25 April 2018
Z. Myeza	10 December 2018
J.C. Trembath	05 April 2019

The committee met eight times during the year under review. Attendance at these meetings is referenced on page 25 of the 2022 integrated report. The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Audit Executive and external auditors regularly attend meetings of the committee by invitation.

2. 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 below sections of this report.

3. Independent auditor

As regards the independent auditor, the committee considered the following:

- appointment of the independent auditor in terms of the Companies Act and other applicable requirements;
- independent audit plan;
- the audit fee;
- terms of engagement of the independent auditor;
- the independence and objectivity of the independent auditor; and
- accounting and auditing concerns identified by the independent auditor as well as management action plans to remediate audit findings.

No non-audit fees were paid to the independent auditor for the year under review. The company has a policy for appointing independent auditors to carry out non-audit services.

4. Role and responsibilities

The committee's 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 independent auditors and the internal audit function;
- overseeing internal audit and reporting;
- reporting on the quality of the monthly or quarterly reports submitted in terms of the PFMA and/or any applicable legislation;
- 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 Conduct, the safeguarding of assets and the operation of adequate internal systems and control processes; and
- ensuring that independent assurance is provided on information technology (IT) governance and controls supporting the company's IT services.

5. Internal control, risk governance and legal and regulatory compliance

Based on the results in the internal and external audit reports, and information and explanations given by management, the committee is of the view that the systems of internal control, risk governance and legal and regulatory compliance are partially effective.

6. Integrated reporting

The committee considered the following as regards the 2022 integrated report and the annual financial statements:

- the annual financial statements for fair presentation with the relevant requirements of the PFMA, the Companies Act and IFRS;
- the reliability and accuracy of financial and non-financial information provided by management;
- risks that may impact the integrity of the integrated report; and
- disclosure of sustainability information in the integrated report to ensure that it is reliable and does not conflict with the financial results.

7. Internal audit

As regards the internal audit function, the committee considered the following:

- the internal audit charter;
- the annual audit plan including the alignment of the audit plan with the company's key risks;
- internal audit reports;
- management action plans to remediate audit findings;
- co-ordination with external auditors; and
- the independence and effectiveness of the function.

8. Combined assurance

A combined assurance framework was approved by the committee during the previous year and its implementation has commenced. In line with the objective of the combined assurance framework, assurance coverage focused on key risks identified as per the strategic risk register. The annual combined assurance plan was developed utilising the principles of the combined assurance model, with the objective to obtain and optimise the required level of assurance as outlined in the combined assurance framework. A combined assurance steering committee was formed to facilitate implementation of the combined assurance framework. Satisfactory progress was made in this regard.

9. Evaluation of the Chief Financial Officer (CFO) and the finance function

The committee has conducted an evaluation of the finance function and the CFO. The committee is satisfied that the experience, expertise and resources of the finance function and that of the CFO are satisfactory.

10. COVID-19 global pandemic

The Covid-19 pandemic has materially impacted the company's operations, resulting in a significant decrease in revenue, profitability and cash flows. The committee satisfied itself that adequate allowance has been made for expected credit losses and other impairments at year-end.

11. 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.

12. Independent auditor's report

The committee has, on a quarterly basis, reviewed the company's implementation plan for audit findings raised in the prior year. The committee has met with the independent auditor to ensure that there are no unresolved issues that emanated from the audit.

The committee concurs and accepts the independent auditor's opinion regarding the annual financial statements and proposes that the audited annual financial statements be accepted and read together with the report of the independent auditor.

13. Appreciation

The committee wishes to express its appreciation to management, the independent auditor and the internal audit unit for their co-operation and the information they have provided to enable us to compile this report.

On behalf of the Audit and Risk Committee

Suleiman Badat

Audit and Risk Committee Chairperson

‘As we approach the end of the ‘recovery’ phase of our recalibrated strategy and move towards our ‘sustain’ phase, I am heartened by our performance, although it is clear that challenges remain as we seek to rebuild our business.’

Matome Moholola
Chief Financial Officer

Reflections from our Chief Financial Officer

REBUILDING OUR BUSINESS AMIDST GLOBAL UNCERTAINTY

Dear stakeholders

For most of the last two years, the world has been delicately balancing its health and economic capitals, and careful trade-offs have continued to characterise our latest reporting period. However, we are now seeing many countries attempt to recover their economies, albeit at fluctuating pace. This has been moderated by the arrival of new variants and other global factors, such as increased fuel costs and the Russian invasion of Ukraine, which are impacting the costs associated with our daily lives. Global economic growth for 2022 is predicted to have decelerated from that of 2021, down from 5.5% to 4.1%, a pattern that is replicated for the African continent, where a reduction in growth from 4% in 2021 to 3.6% in 2022 has been estimated. It is clear that we remain some distance from the other side of a global recovery.

The direct relevance of this on ATNS’s performance is that, as a result of all these external environmental challenges, during the 2021 calendar year, air traffic movements in most regions of the world remained down on 2019 figures. There was also a continued overall reduction in air traffic numbers in 2021 compared with 2019.

Despite this continued challenging operating environment, our focus at ATNS has remained on managing factors within our control, persevering value and minimising value erosion. This has included a sustained focus on ensuring safe and efficient operations, developing a future-fit organisation, utilising technologies to our advantage, maintaining tight cost discipline and driving a more holistic aviation industry sustainability and transformation agenda.

Our recalibrated strategy

As the world responded to the COVID-19 pandemic, ATNS responded strategically, proactively by reflecting upon our strategy 2025 and taking steps to recalibrate this in the context of our operating environment – an environment that could not be more different to that anticipated when our Strategy 2025 was initially approved in 2019. As a result of COVID-19, our strategy was adjusted in April 2020 and again in August 2020.

Within this integrated report, it is this adjusted strategy and key performance indicators that we now measure ourselves against. While our strategic pillars of service excellence, sustainability and innovation remain unchanged, and our strategic objectives continue to be relevant, last reporting period, we took the decision to prioritise our day-to-day operations during a ‘recovery phase’. Within the present reporting period, we remain within this ‘recovery phase’. Largely, this has meant retaining a focus on delivering for immediate stakeholder needs and ensuring our skies continue to be safely and efficiently run. As a result, our theme for this reporting period is ‘rebuilding for the future’.

In monitoring the performance that underpins our strategic pillars and our strategic objectives, we continue to look to rebuild our organisational capabilities so that we can remain agile, proactive and responsive. This will be necessary if we are to take advantage of opportunities that the ever-evolving global landscape presents. We look forward with the understanding that our ambitions for the future must be cautiously tempered by our budget constraints and the disappointing economic outlook for the near term.

However, setting this within a longer historic context, even before the COVID-19 pandemic, the aviation sector was not alone in being required to respond to considerable change and uncertainty. Change is something that has and will continue to characterise our operating environment. It is through careful tracking of our performance, and integration with insights from our many stakeholders, that we continue to ready ourselves to respond quickly and accordingly.

Our business performance in the 2021/2022 reporting period

Turning to our financial performance for the year under review, the impact of the COVID-19 global pandemic continued to have lasting adverse consequences for ATNS. The Delta variant resulted in a significant reduction in tariff revenue in the months of July and August 2021, as some airlines suspended their operations. Further to this, South Africa uncovered the Omicron variant in the country in November 2021, which led to most countries around the world issuing alerts suspending travel to and from South Africa. This travel embargo extended until the beginning of the last quarter of our financial year. However, despite these challenges, our revenue increased by 86% to R1.017 billion (FY21: R547 million) mainly due to increased billable air traffic movements from 102 798 in 2021 to 206 134 in the current year. This increase was mainly attributable to travel within the South African domestic market.

During FY22, operating costs increased by 6% to R1.235 billion (FY21: R1.168 billion) mainly due to an increase in staff-related costs following our section 189 Labour Relation Act process, with employees offered voluntary severance packages and early retirement pay-outs.

During the year under review, our capital expenditure increased to R186 million (FY21: R155 million) largely due to the implementation of navigational and surveillance projects.

ATNS's liquidity ratio decreased to 2.3:1 (FY21: 3.3:1), given depleted cash reserves. This notwithstanding, the ratio is still above the norm of 2:1 with our gearing at 4.4% (FY21: 3.7%).

As a regulated entity, ATNS measures our return on capital employed (ROCE) in line with the approach document issued by the Economic Regulating Committee. The ROCE is -11% (Regulated ROCE: -29%). The ROCE is a measure of the extent to which a company utilises its resources efficiently to generate profits, while the Regulated ROCE is based on the Economic Regulating Committee formula.

Cash generated from operations improved by 60% to R228 million (FY21: -R567 million) as a result of improved debt collections. The entity's cash reserves continued to deteriorate in the reporting year to R408 million (FY21: R830 million). This is mainly attributable to lower than expected air traffic movements, given ongoing and prolonged travel restrictions during the year under review.

Going concern status

In the global context described, our financial position continues to remain challenging. The ATNS Board and management team have considered all of these aspects of ATNS's business and financial performance in the context of our operating environment and reflected upon the company's status as a going concern. Having assessed the following factors, the Executive Committee is of the view that ATNS remains a going concern:

- ATNS's ability to raise a borrowing facility
- Cash as at the end of the reporting period of R408 million
- A rebased salary bill following the conclusion of the section 189 of the Labour Relations Act processes
- The commencement of the application process for a new permission for the financial years 2023/24 to 2027/28
- Rolling forecasts

Appreciation

As we approach the end of the 'recovery' phase of our recalibrated strategy and move towards our 'sustain' phase, I am heartened by our performance, although it is clear that challenges remain as we seek to rebuild our business.

On behalf of myself and the finance team, I extend my gratitude to the Minister of Transport and his advisors, my fellow Board members and my Executive Committee colleagues for their ongoing counsel, guidance and support. Collective inputs and integrated thinking from a multitude of perspectives remain critical during these volatile times, as we look ahead to rebuild for a stronger future.

I also wish to express my thanks to the wider ATNS team. Thanks to the determined and sustained efforts of all our ATNS people, we are limiting value erosion in these continued harsh operating conditions, preserving value in the immediate term and positioning ourselves for holistic and sustainable value creation in the longer term.

Matome Moholola
Chief Financial Officer

Our Company Secretary

Ms Nthabiseng Mongali is our Acting Company Secretary.

Ms Mongali is a chartered secretary with experience in the company secretarial environment within state-owned companies, Johannesburg Stock Exchange-listed entities and private companies. Prior to joining ATNS, Ms Mongali was an independent consultant, offering company secretarial and corporate governance services to a variety of corporate clients. Ms Mongali holds a CIS NQF level 8 qualification and a Masters of Business Administration degree from the Edinburgh Business School. She is a fellow of the Chartered Governance Institute of Southern Africa, a member of the SABS Technical Committee on the Governance of Organisations (TC309) and actively participates in governance and social forums. She is also a member of the Institute of Directors SA.

The Board, in accordance with the Companies Act (No. 71 of 2008) appointed Ms Mongali into the role as Acting Company Secretary, effective 11 January 2022. She reports to the Chief Executive Officer and is not a director. The role and responsibilities of the Company Secretary are described more fully in section 88(2) of the Companies Act and the Board Charter. Having considered her competence, qualifications and experience, the Board is satisfied that Ms Mongali is competent and she has the appropriate qualifications and experience to serve as the Acting Company Secretary.

The Board considered the interactions between the Acting Company Secretary and the Board during her tenure, and is satisfied that there is an arm's length relationship between the Board and the Acting Company Secretary.

In my capacity as the Acting Company Secretary, I hereby confirm, in terms of the Companies Act (No. 71 of 2008) (the Companies Act), that for the year-ended 31 March 2022, ATNS has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up-to-date.

Nthabiseng Mongali
Acting Company Secretary

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 and 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 International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments 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 of directors 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 across the company. 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 2023 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 22 to 27.

The financial statements set out on pages 28 to 82, which have been prepared on the going concern basis, were approved by the board of directors on 22 August 2022 and were signed on their behalf by:

Simphiwe Thobela
Chairperson and Non-Executive Director

Nozipho Mdawe
Chief Executive Officer and Executive Director

Independent Auditor's Report

Independent auditor's report to the Shareholders of Air Traffic and Navigation Services Company SOC Limited

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of the Air Traffic and Navigation Services Company SOC Limited (referred to as 'ATNS' or 'the company') set out on pages 28 to 31, which comprise the statement of financial position as at 31 March 2022, 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 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 ATNS as at 31 March 2022, and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act) and the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

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

4. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

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.

Events after the reporting date

7. As disclosed in note 33 to the financial statements, ATNS fulfilled all the conditions that were required to access a loan facility of R500m for capital expenditure, secured from the lender. The terms and conditions of the facility are disclosed in note 12 (property, plant and equipment), note 21 (cash and cash equivalents) and note 34 (going concern) to the financial statements.

Material impairment of capital work in progress

8. As disclosed in note 15 to the financial statements, an impairment provision of R83.59m was raised for capital work in progress relating to the Isando Project Development which has been placed on hold. As a result , the economic benefit of the development will not be realised as previously anticipated and was therefore impaired.

Responsibilities of accounting authority for the financial statements

9. 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 and the PFMA, 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.

10. In preparing the financial statements, the accounting authority is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to a going concern and using the going concern basis of accounting unless the accounting authority 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

11. 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.

12. 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

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

14. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the company's approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the company enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.

15. 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 objective presented in the company's annual performance report for the year ended 31 March 2022:

Objective	Pages in the annual performance report
Ensure safety and efficiency of operations	53

16. We performed procedures to determine whether the reported performance information 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.

17. The material finding on the usefulness and reliability of the performance information of the selected objectives is as outlined on page 24.

Strategic Objective 2: Ensure safety and efficiency of operations

Achievement of system availability: for Communication, Navigation and Surveillance

18. We were unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. This was due to a lack of measurement definitions and processes documented to guide the decisions made other than management's own experience. We were unable to validate the data obtained from the existing systems and processes by alternative means to confirm that the data reported was accurate and complete.

Other matters

19. We draw attention to the matter below.

Achievement of planned targets

20. Refer to the annual performance report on pages 52 - 56 for information on the achievement of planned targets for the year and management's explanations provided for the under/ over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 18 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements on the capital work in progress, property, plant and equipment, and trade and other payables, identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

24. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R0.468m, as disclosed in note 36 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by late payment to suppliers.

Other information

25. 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 and risk committee's report and the certificate of the company secretary as required by the 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.

26. Our opinion on the financial statements and my 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 on it.

27. 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. 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. We have nothing to report in this regard.

Internal control deficiencies

28. We considered internal controls 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 in the basis for our opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

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

30. Management did not ensure adequate processing and reconciling controls which resulted in instances of material adjustments impairment of capital work in progress, depreciation and impairment expense of property, plant and equipment and loss on disposal disclosed in the financial statements submitted for audit.

Other reports

31. We draw attention to the following engagements conducted by various parties which 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

32. Internal audit investigated fraud allegations of an overpriced and excessive invoice from a service provider. The matter was reported on 10 February 2020. The investigation started on the 11 February 2020 and was concluded on 20 September 2021. As at the date of this report, the matter was waiting to go through the consequence management processes.

33. Internal audit investigated fraud allegations of an employee that misrepresented themselves as a supply chain official. The matter was reported on 21 June 2021 and the investigation was concluded on 21 September 2021. As the date of this report, the matter was deemed closed until new evidence emerge.

34. Allegations of financial mismanagement were received through the whistleblowing report on 15 December 2021. The investigations were carried out by external attorneys and the investigation started on 22 December 2021 and were concluded 19 May 2022. As at the date of this report, the matter had been formally closed and the Board was in the process of addressing and implementing the recommended corrective actions.

35. An undated matter of maladministration was presented on 11 November 2021 to the Audit and Risk Committee. On 19 May 2022, the internal audit function was assigned to compare the allegations contained in the whistleblowing report against those that were investigated previously, to determine whether all the matters had been addressed. As at the date of this report, the matter was still ongoing.

Auditor tenure

36. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SABT&T has been the auditor of Air Traffic and Navigation Services Company SOC Limited for four years.

Nexia SAB&T
C. Chigora
Registered Auditor
30 August 2022
119 Witch-Hazel Avenue
Highveld Technopark
Centurion
0157

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 the reported performance information for selected objectives and on the entity'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 attend to the below:

- 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 accounting authority.
- Conclude on the appropriateness of 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 relating to events or conditions that may cast significant doubt on the ability of Air Traffic and Navigation Services Company SOC Ltd 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 our 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 a company to cease operating as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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 provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Statement of Financial Position as at 31 March 2022

Assets	Notes	2022	2021
Non-current assets			
Property, plant and equipment	12	992,931,883	1,035,003,257
Right-of-use assets	13	69,865,157	77,106,958
Intangible assets	14	99,235,147	119,592,002
Capital work in progress	15	284,422,782	324,996,324
Deferred tax	16	242,754,183	148,135,660
Prepayments	17	-	1,078,338
		1,689,209,152	**1,705,912,539**
Current assets			
Short-term investments at amortised costs	18	16,252,754	16,876,774
Trade and other receivables	19	142,050,971	113,074,213
Prepayments	17	14,639,631	18,719,247
Current tax receivable	20	36,467	11,092,248
Cash and cash equivalents	21	408,429,221	830,370,712
		581,409,044	**990,133,194**
Total assets		**2,270,618,196**	**2,696,045,733**
Equity and liabilities			
Equity			
Share capital	22	190,646,000	190,646,000
Retained income		1,752,128,043	2,130,049,918
		1,942,774,043	**2,320,695,918**
Liabilities			
Non-current Liabilities			
Lease liabilities	13	**76,366,807**	**77,539,297**
Current liabilities			
Lease liabilities	13	13,576,223	10,990,400
Provisions	23	16,373,206	18,391,292
Contract liabilities	24	6,115,004	4,195,389
Trade and other payables	25	215,412,913	264,233,437
		251,477,346	**297,810,518**
Total liabilities		**327,844,153**	**375,349,815**
Total equity and liabilities		**2,270,618,196**	**2,696,045,733**

Statement of Changes in Equity as at 31 March 2022

	Share capital	Retained income	Total equity
Balance at 01 April 2020	**190,646,000**	**2,708,278,390**	**2,898,924,390**
Loss for the year	-	(578,228,472)	(578,228,472)
Total comprehensive Loss for the year	**-**	**(578,228,472)**	**(578,228,472)**
Balance at 01 April 2021	**190,646,000**	**2,130,049,918**	**2,320,695,918**
Loss for the year	-	(377,921,875)	(377,921,875)
Total comprehensive loss for the year	**-**	**(377,921,875)**	**(377,921,875)**
Balance at 31 March 2022	**190,646,000**	**1,752,128,043**	**1,942,774,043**
Note(s)	22		

Statement of Profit or Loss and Other Comprehensive Income as at 31 March 2022

	Notes	2022	2021
Revenue	3	1,017,347,988	547,439,448
Other operating income	4	6,220,914	4,231,846
Other operating losses	5	(36,279,810)	(71,577,218)
Credit loss allowances	6	7,056,785	(16,211,685)
Depreciation costs on property, plant and equipment	12	(116,015,730)	(129,007,150)
Impairment loss on property, plant and equipment	12	(11,819,357)	(2,965,001)
Depreciation costs on right-of-use assets	13	(17,868,028)	(17,595,233)
Amortisation on intangible assets	14	(24,744,050)	(19,338,847)
Impairment loss on work in progress	15	(83,598,719)	-
Staff costs	7	(917,928,730)	(826,300,797)
Other operating expenses	8	(293,344,065)	(258,290,740)
Operating loss		**(470,972,802)**	**(789,615,377)**
Interest revenue	9	7,843,894	43,420,817
Finance costs	10	(9,411,490)	(9,306,923)
Loss before taxation		**(472,540,398)**	**(755,501,483)**
Taxation	11	94,618,523	177,273,011
Total comprehensive loss for the year		**(377,921,875)**	**(578,228,472)**

Statement of Cash Flows as at 31 March 2022

	Notes	2022	2021
Cash flows from operating activities			
Cash receipts from customers		989,237,101	588,628,728
Cash paid to suppliers and employees		(1,216,936,026)	(1,155,703,804)
Cash used in operations	26	(227,698,925)	(567,075,076)
Interest revenue	9	7,843,894	43,420,817
Finance costs	10	(9,411,490)	(9,306,923)
Tax (paid) received	20	11,055,781	(225,691)
Net cash from operating activities		**(218,210,740)**	**(533,186,873)**
Cash flows from investing activities			
Cash payments to acquire property, plant and equipment		(5,706,734)	(5,089,641)
Cash payments to acquire intangible assets		(9,549,103)	(6,995,652)
Cash payments to acquire work in progress		(171,853,102)	(142,494,960)
Cash receipts from sales of property, plant and equipment		29,765	117,354
Prepayments		1,078,338	(993,952)
Net cash from investing activities		**(186,000,836)**	**(155,456,851)**
Cash flows from financing activities			
Repayment of lease liabilities		(9,805,152)	(12,447,367)
Total cash movement for the year		**(414,016,728)**	**(701,091,091)**
Cash at the beginning of the year		830,370,712	1,601,786,955
Effect of exchange rate movement on cash balances		(7,924,763)	(70,325,152)
Total cash at the end of the year	21	**408,429,221**	**830,370,712**

Corporate information

ATNS is a state-owned company with limited liability incorporated in South Africa. The company's registration number is 1993/004150/30, 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 2022 were authorised for issue in accordance with a resolution of the Board of directors on 22 August 2022.

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 the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), and the Companies Act, No. 71 of 2008 and the Public Finance Management Act, No. 1 of 1999 of South Africa, as amended.

These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies that follow and incorporate the principal accounting policies set out below. They are presented in South African Rands, which is the company's functional currency. Amounts presented in the financial statements were rounded to the nearest Rand.

These accounting policies are consistent with the previous period.

1.2 Property, plant and equipment

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

Other classes of property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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. Repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Major spare parts and standby equipment that are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment that 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 that are a condition of continuing use of an item of property, plant and equipment and that 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. These inspection costs are depreciated over the period remaining before the next compulsory major inspection.

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.

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. 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.

Average useful life

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
Infrastructure	Straight line	5-15 years
Leasehold improvements	Straight line	6 years
Motor vehicles	Straight line	5 years
Navigation aids	Straight line	15 years
Office furniture and equipment	Straight line	6 years
Radar equipment	Straight line	15 years
Simulator equipment	Straight line	10 years
Tools and test equipment	Straight line	8-20 years

1.3 Capital work in progress

Capital work in progress is measured at cost.

Major property, plant, equipment and intangible assets that 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.

1.4 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 entity; and
- 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.

Useful life

Item	Useful life
Computer software	3-7 years

1.5 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.

1.6 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments. Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions of the financial instrument.

Classification and initial measurement of financial assets

The entity financial assets include trade and other receivables, contract assets, short-term investments and cash and cash equivalents. Financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

In the periods presented the entity does not have any financial assets categorised as FVOCI. The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within revenue, finance income, other operating losses and credit loss allowances.

Classification and measurement of financial liabilities

The entity's financial liabilities include trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs (where applicable).

Note 32 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:

Short-term investments at amortised cost

Classification

Short-term investments (note 18) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these investments 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.

Recognition and measurement

Short-term investments are recognised when the company becomes a party to the contractual provisions. The investments 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.

Impairment

The company recognises a loss allowance for expected credit losses on all investments receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective investments.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on an investment has not increased significantly since initial recognition, then the loss allowance for that investment is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the investment. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on the investment that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of the investment being credit impaired at the reporting date or of an actual default occurring.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable VAT are classified as financial assets subsequently measured at amortised cost (note 19).

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 financial instruments and risk management (note 32).

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables. 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 (lifetime 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 19.

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 under trade and other receivables (note 19) and financial instruments and risk management (note 32).

Trade and other payables

Classification

Trade and other payables (note 25), excluding VAT and amounts paid in advance or prepayments, 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.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then the interest expense 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 32 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 25).

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with an original maturity of three months or less. 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.

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.

1.7 Prepayments

The entity incurs prepayments when it pays for services and or goods that have not been rendered or received. The payments made in advance are classified separately on the statement of financial position. Where services and goods are expected in a period greater than twelve months, these are classified as long term and where services and goods are expected in a period less than twelve months, these are shown as short term. When the services and goods are rendered or received, the portion of the expense is recognised on profit and loss.

1.8 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, that 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.

1.9 Leases

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or for leases of low value assets. Low-value assets comprise of cell phones, watercoolers, tablets, telephones and small items of office furniture. For these leases, the company recognises the lease payments as an operating expense (note 8) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Details of leasing arrangements where the company is a lessee are presented in note 13.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using incremental borrowing rate in the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- the amount expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 10).

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of- use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

Right-of-use assets

The right-of-use assets are depreciated over the period of the lease term. The applicable periods are presented in the following table:

Item	Depreciation method	Average useful life
Buildings	Straight line	2 to 8 years
Communication equipment	Straight line	2 to 4 years
Computer equipment	Straight line	3 to 7 years
Infrastructure	Straight line	2 to 9 years
Motor vehicles	Straight line	5 years
Navigational aids	Straight line	2 to 10 years
Office furniture and equipment	Straight line	2 to 5 years
Radar sensors	Straight line	2 to 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Company as lessor

Leases for which the company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a operating lease by reference lease liability and the right-of-use asset relating to the head lease in its Statement Of Financial Position. If the head lease is a short-term lease to which the company applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15 due to its operating nature.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in revenue (note 3).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.10 Share capital and equity

Share capital represents the nominal (par) value of shares that have been issued.

1.11 Employee benefits

Retirement benefits 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 employees and the company pay fixed contributions, taking into account the recommendations of independent qualified actuaries. 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 company's contributions to the defined contribution scheme are charged to profit and loss in the year to which they relate.

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 aid), 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.

1.12 Provisions and contingencies

Provisions for capital expenditure projects, performance bonus and credit notes 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; and
- a reliable estimate can be made of the obligation.

The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values where the time value of money is material.

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

1.13 Revenue from contracts with customers

Major sources of revenue are the following:

- En-route, aerodromes and approach fees
- FIR crossings VSAT II network fees
- Small aerodromes fees
- Technical maintenance fees
- External training fees
- Extended hours services
- Sundry revenue
- Weather services administration
- FIR crossings NAFISAT network fees

The company enters into contracts involving a range of services, for example en-route, aerodrome and approach fees, small aerodrome services, technical maintenance services, FIR crossings for VSAT and NAFISAT networks and aviation training fees. The transaction price for contracts 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 when control of promised services is transferred to a customer at an amount that reflects the consideration the company expects to receive in exchange for those services. The entity accounts for transactions with customers when it has approval and commitment from both parties, each party's rights have been identified, payment terms are defined, the contract has commercial substance and collection of the consideration is probable. Revenue is recognised when control of promised services is transferred to a customer at an amount that reflects the consideration the company expects to receive in exchange for those services.

The company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts under contract 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 trade 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 all customers making use of the South African airspace as per legislation, each party rights and obligations are clearly stipulated in the gazette. The probability of the customer paying for services 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 (ATM) 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; and
- 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 considerations are 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 trade receivable once the company has satisfied the performance obligations.

FIR crossings VSAT II networks fees

The company operates the VSAT networks satellite communication system to address communication deficiencies in the Southern African Development community (SADC VSAT II). The company has contracts with the individual member states as well as the 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 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 service are recognised as trade receivables once the company has satisfied the performance obligations.

Small aerodromes fees

The company supplies air traffic management in the 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 include 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. Revenue is recognised over time. The transaction price allocated to small aerodromes is recognised as a receivable and or contract asset once the company 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 service 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. The transaction price allocated to these services is recognised as a receivable once the company satisfies the performance obligations.

External 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:

- Venue
- Course instructor
- Course material
- Qualification/certificate
- 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 company has offered the training before it receives the consideration, the entity recognises a receivable or contract asset 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 company satisfies the performance obligations.

Weather services administration

The company renders aviation meteorological services administration, issues customers with invoices on behalf of South African Weather Services and receives a commission for services rendered. The probability 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 South African Weather Services among others includes provision of air traffic volume statistics, providing of operators' information and billing of meteorological services. These services are bundled together as a distinct service promised by the company.

The price charged for the commission by the company is the variable consideration and at times fixed consideration depending on the monthly billable movements. Revenue from weather services commission is recognised over time. The transaction price allocated to weather services is recognised as a receivable once the company satisfies the performance obligations.

Sundry revenue

Sundry revenue relates to African Regional Monitoring Agency (ARMA) service and spectrum service fees. The performance obligations are to conduct safety assessments, monitor aircraft height-keeping performance, conduct safety assessments and report the results appropriately and monitor operator compliance with state approval requirements. The consideration charged for these services by the company is a fixed consideration. Revenue is recognised over time. The transaction price allocated to these services is 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 include 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. Revenue is recognised over time. The transaction price allocated to these services are recognised as a receivable once the company satisfies the performance obligations.

FIR crossings NAFISAT network fees

The company operates a VSAT networks satellite communication system to address communication deficiencies in the North East African Indian Ocean (NAFISAT). The company has contracts with the individual member states as the 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 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 a distinct service 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 the NAFISAT network service is recognised as a receivable once the company has satisfied the performance obligations.

Commission fees

Commission fees relate to services rendered on behalf of third parties for billing and collections. The performance obligations are mainly billing and collection of overflight movements for air traffic service, issuing invoices, credit notes and statements to customers on behalf of third parties, providing monthly statistics and refunds to third parties the funds collected on their behalf. The consideration charged for these 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 is recognised as a receivable once the company satisfies the performance obligations.

1.14 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 at 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 are measured in terms of historical exchange rate at the date of the transaction; and
- 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.

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, the company determines a date of transaction for each payment or receipt of advance consideration.

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 Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.15 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 note 23.

Deferred taxation

The entity's current deferred tax asset relates to management's assessment of the amount of tax that will be utilized in the future against taxable profits. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. Please refer to Note 11 and 16 for details.

Going concern

The impact of the COVID-19 pandemic has continued to pose a risk to the ability for the entity to continue as a going concern due to suppressed revenue. Management's assessment is that the entity will continue to operate in the foreseeable future based on latest estimates and forecasts. The details are included in note 34.

Credit loss allowance (ECL)

The ECL is calculated on trade receivables and is determined as the lifetime expected credit losses on trade receivables. Management estimate these using a provision matrix as detailed in note 19. Management applies judgement based on history, experience of past default debtors and also forward-looking information.

Useful lives and residual values of assets

The useful lives of assets and residual values are assessed when the asset is capitalised at inception and at each balance sheet date. The assessment is based on management's best estimate and industry norms - refer to note 12, 13 and 14 for details.

Impairment of assets

Assets are impaired when there are indicators of impairment. Management performs a physical verification and assesses the conditions of the assets. Various methods are applied for different categories of assets to determine the impairment. For details refer to notes 12, 15 and 16.

1.16 Irregular, fruitless and wasteful expenditure

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure that 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

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- 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 International Financial Reporting Standards (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 the transaction is recognised as expenditure in the Statement of Financial Performance in accordance with IFRS.
- Provision is made for the 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 authority confirms that the public entity did not suffer a loss and that value for money was achieved. In the event National Treasury does not condone the irregular expenditure, the accounting authority may remove the expenditure from the note to the annual financial statements.

2. New standards and interpretations

2.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing is of standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective.

2.1.1 Presentation of annual financial statements (amendment to IAS 1)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added.

Effective for annual periods beginning on or after 1 April 2023, the adoption of this amendment will not be expected to have a material impact on the results of the company.

2.1.2 Accounting policies, changes in accounting estimates and errors (amendment to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Effective for annual periods beginning on or after 1 April 2023, the adoption of this amendment will not be expected to have a material impact on the results of the company.

2.1.3 Income tax (amendment to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Effective for annual periods beginning on or after 1 April 2023, the adoption of this amendment will not be expected to have a material impact on the results of the company.

3. Revenue

Total revenue

	2022	2021
Revenue from contracts with customers		
Revenue	1,014,813,583	544,805,280
Revenue other than from contracts with customers		
Rental	2,534,405	2,634,168
Total revenue	**1,017,347,988**	**547,439,448**

Disaggregation of revenue from contracts with customers

	2022	2021
Revenue over time		
Aerodrome, en-route and approach fees	855,382,035	428,240,455
Small aerodrome	58,747,926	51,179,694
FIR crossings VSAT II network fees	32,324,733	17,871,596
FIR crossings NAFISAT network fees	40,721,757	28,195,086
External training fees	6,543,874	1,410,664
Aeronautical information services	4,085,289	2,533,199
Technical maintenance	7,934,590	8,552,052
Sundry revenue	3,627,760	2,869,644
Commission fees	3,807,274	2,733,397
Extended hours	666,345	146,900
Weather services administration	972,000	1,072,593
	1,014,813,583	**544,805,280**

Included in 'sundry revenue' is monthly ARMA service and spectrum service fees.

Revenue other than from contracts with customers

	2022	2021
Rental		
Sites	597,201	558,649
Sublease - buildings	583,464	-
Squitters	1,353,740	2,075,519
	2,534,405	**2,634,168**

a. The entity earns all the lease revenue from operating leases. The entity does not earn any property rental revenue from finance leases.

b. Rental income from sites relates to billboards that are installed on the entity's properties.

c. On 01 September 2021, the entity released two buildings that are under lease (head lease) by subleasing a portion of the buildings (as intermediate lessor) to another third party.

d. Rental income from squitters relates to a communication device that is installed on motor vehicles that are on the runway for identification and communication with the air traffic controllers.

Revenue from operating leases

	2022	2021
Revenue relating to fixed lease payments for operating leases		
Sublease - buildings	583,464	335,658
Squitters	1,353,740	2,075,519
Sites	378,710	-
	2,315,914	**2,411,177**

Revenue relating to variable lease payments on operating leases

	2022	2021
Sites	218,491	222,991

Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the reporting date

The transaction price that has been allocated to performance obligations which are unsatisfied at the reporting date are presented below, together with the expected timing of satisfying the performance obligations:

2022

Transaction price allocated to:	1 year	2 years	3-5 years
Aeronautical information services	6,316,317	-	-
External training fees	2,066,180	-	-
Sublease - buildings	869,760	869,760	2,174,400
Squitters	338,435	-	-
	9,590,692	**869,760**	**2,174,400**

The lease contracts are escalated on an annual basis and are linked to the Consumer Price Index (CPI). Therefore, lease contracts are not escalated for future years.

2021

Transaction price allocated to:	1 year	2 years
Aeronautical information services	4,396,595	-
External training fees	4,195,389	-
Squitters	1,353,740	338,435
	9,945,724	**338,435**

The lease contracts are escalated on an annual basis and are linked to the Consumer Price Index (CPI). Therefore, lease contracts are not escalated for future years.

4. Other income

	2022	2021
Bad debts recovered	2,641,406	71,739
Sundry income	3,579,508	4,160,107
	6,220,914	**4,231,846**

a. Bad debts recovered relates to income that the company received from previously written off debt.

b. Sundry income mainly consists of Transport Education and Training Authority (TETA) mandatory grant of R1.5m for providing internships to unemployed graduates and as well as the contract liabilities of R1.9m that were reversed in the current year because is unlikely that revenue will be recognised since the funds were received more than five years ago and the Prescription Act was applied.

5. Other operating losses

	Notes	2022	2021
Losses on disposals, scrappings and settlements			
Property, plant and equipment	12	(28,355,047)	(1,252,066)
Foreign exchange losses			
Net foreign exchange loss		(7,924,763)	(70,325,152)
Total other operating losses		**(36,279,810)**	**(71,577,218)**

6. Credit loss allowances

	2022	2021
Movement in credit loss allowances		
Trade and other receivables	(7,056,785)	16,211,685

The company credit loss allowance on trade receivables significantly decreased in the current year mainly due to some bad debts write off and an improved collection strategy to maximise cash inflows.

7. Staff costs

	2022	2021
Employee costs		
Salaries, wages and other related costs	788,239,215	812,850,033
Severance benefit	40,932,077	-
Incentive bonus	49,012	(81,500,000)
Rewards and recognition	65,000	34,584
Training and development	2,019,962	4,434,018
Early childhood learning benefit	84,000	378,537
Bursary costs	-	354,485
Recruitment costs	678,902	2,238,743
Relocation costs	2,735,661	1,360,122
Pensions costs - defined contribution scheme	80,544,901	83,800,275
Long service awards	2,580,000	2,350,000
	917,928,730	**826,300,797**

The company embarked on a section 189 of the Labour Relations Act process on 01 April 2021. The severance benefits mainly consist of section 189-related benefits.

The incentive bonus payout relates to the FY 2018/19, which was never paid out to the employee at the time due to a dispute. The matter was only finalised on 21 November 2021 and the resolution of the dispute was that the company needed to pay the incentive bonus to the employee.

8. Other operating expenses

	2022	2021
Administration expenses	6,251,266	4,819,090
Computer software	11,750,962	16,994,368
Network management fees	10,462,677	-
Director's fees	5,946,931	7,447,762
Board development fees	33,200	286,707
IT equipment repairs	28,468,330	22,331,399
Subscriptions	3,201,415	2,626,017
External audit fees	2,127,068	1,840,610
Internal audit	691,763	805,153
Fees for audit services	224,396	669,530
Fees for other services	467,367	135,623
Insurance	13,673,280	12,535,834
Contract services	13,989,705	8,555,578
Marketing expenses	6,923,708	7,328,196
Motor vehicle expenses	3,276,422	1,536,044
Municipal expenses, rates and taxes	28,492,152	22,187,408
Leases of low value assets	-	2,785,679
Short term leases	3,675,858	569,863
Professional fees	17,204,920	10,894,378
Legal fees	3,688,226	7,651,656
Repairs and maintenance	57,821,169	55,191,982
COVID-19 intervention supplies	2,623,749	6,799,490
Security	10,204,198	8,646,217
Telecommunication expenses	49,541,411	51,866,032
Travel expenses	13,295,655	4,591,277
	293,344,065	**258,270,740**

Administration expenses are made up of membership fees, office equipment, commission paid, and printing and stationery among others.

Network management fees relate to surplus amounts that are paid back to member airlines of the International Air Transport Association (IATA) for SADC VSAT II and NAFISAT networks.

Contract services mainly consist of Aviation Training Academy (ATA) training contract courses.

9. Interest revenue

	2022	2021
Interest income		
Investments in financial assets:		
Bank and other cash	9,527,734	30,678,121
Trade and other receivables	(1,886,185)	12,478,092
Other financial assets	202,345	264,604
Total interest income	**7,843,894**	**43,420,817**

The interest income from trade receivables was reversed in the current year due to requests from customers and undertaking by them that their accounts going forward will be within credit terms.

Included in other financial assets is interest from the insurance contract as well as late payment interest from the revenue services.

10. Finance costs

	2022	2021
Lease liabilities	9,006,658	9,005,437
Other interest paid	404,832	301,486
Total finance costs	**9,411,490**	**9,306,923**

Included in other interest paid is late payment interest charged for municipal accounts.

11. Taxation

	2022	2021
Major components of the tax expense (income)		
Deferred		
Current year	(103,609,419)	(208,328,935)
Prior year under provision	-	31,055,924
Impact of rate change	8,990,896	-
	(94,618,523)	**(177,273,011)**
Movement on deferred tax		
Property, plant and equipment	11,007,599	40,044,433
Prepayments	50,531	(88,086)
Right of use assets	(1,838,975)	(4,179,170)
Lease liability	(611,502)	2,780,965
Provisions	21,349,385	53,399,868
Deferred income	2,796,242	6,026,057
Impairment of trade receivables allowance	(7,703,159)	(13,462,513)
Donation tax	70,000	(70,000)
Section 24C -Income received in advance	(2,806,992)	(4,901,377)
Section 7B - Variable remuneration	-	495,488
Assessed loss	(125,922,548)	(257,318,676)
Impact of rate change	8,990,896	-
Effective tax rate	**(94,618,523)**	**(177,273,011)**

The impact of the rate change is as a result of pronouncement by the Honourable Minister of Finance that for the years of assessment ending on any date between or on or after 31 March 2023 the rate of Corporate Income Tax payable is 27% from 28%.

	2022	2021
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28.00%	28.00%
Depreciation: leasehold improvements	(0.76)%	(0.18)%
Fruitless and wasteful expenditure	(0.03)%	(0.01)%
Depreciation: buildings	(0.31)%	(0.23)%
Prior year deferred tax over-provision	(0.31)%	(0.01)%
Decrease in tax rate	(0.03)%	- %
	26.56%	**27.57%**

12. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
ATC display system	188,129,483	(94,435,118)	93,694,365	198,758,022	(92,070,258)	106,687,764
Buildings	231,068,829	(93,936,009)	137,132,820	230,585,643	(88,677,569)	141,908,074
Communication equipment	388,830,579	(156,785,535)	232,045,044	377,361,023	(137,345,993)	240,015,030
Computer equipment	205,393,938	(160,460,762)	44,933,176	207,557,679	(156,812,060)	50,745,619
Electrical and mechanical equipment	134,820,670	(73,154,216)	61,666,454	123,687,916	(69,754,478)	53,933,438
Infrastructure	3,290,558	(1,834,900)	1,455,658	3,290,558	(1,574,573)	1,715,985
Land	12,891,088	-	12,891,088	12,891,088	-	12,891,088
Leasehold improvements	140,666,390	(77,626,624)	63,039,766	141,029,918	(64,073,142)	76,956,776
Motor vehicles	1,027,159	(931,550)	95,609	1,027,159	(912,344)	114,815
Navigation aids	130,713,870	(76,704,016)	54,009,854	132,794,593	(74,186,923)	58,607,670
Office furniture and equipment	34,828,113	(19,650,134)	15,177,979	35,716,157	(17,552,304)	18,163,853
Radar equipment	562,033,871	(296,664,606)	265,369,265	531,639,604	(270,481,170)	261,158,434
Simulator equipment	19,177,313	(14,796,408)	4,380,905	19,936,301	(14,698,388)	5,237,913
Tools and test equipment	12,031,019	(4,991,119)	7,039,900	11,601,502	(4,734,704)	6,866,798
Total	**2,064,902,880**	**(1,071,970,997)**	**992,931,883**	**2,027,877,163**	**(992,873,906)**	**1,035,003,257**

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Projects capitalised	Disposals	Depreciation	Impairment loss	Total
ATC display system	106,687,764	-	1,307,260	(760,281)	(11,758,154)	(1,782,224)	93,694,365
Buildings	141,908,074	-	483,186	-	(5,258,440)	-	137,132,820
Communication equipment	240,015,030	-	22,624,239	(3,336,808)	(25,248,839)	(2,008,578)	232,045,044
Computer equipment	50,745,619	2,221,069	3,764,837	(663,736)	(10,839,737)	(294,876)	44,933,176
Electrical and mechanical equipment	53,933,438	2,513,600	14,779,846	(593,493)	(7,661,944)	(1,304,993)	61,666,454
Infrastructure	1,715,985	-	-	-	(260,327)	-	1,455,658
Land	12,891,088	-	-	-	-	-	12,891,088
Leasehold improvements	76,956,776	-	-	(4,030)	(13,912,980)	-	63,039,766
Motor vehicles	114,815	-	-	-	(18,133)	(1,073)	95,609
Navigation aids	58,607,670	-	425,888	(22,387)	(4,704,159)	(297,158)	54,009,854
Office furniture and equipment	18,163,853	55,599	220,709	(169,938)	(2,947,172)	(145,072)	15,177,979
Radar equipment	261,158,434	-	58,506,450	(16,617,380)	(31,740,823)	(5,937,416)	265,369,265
Simulator equipment	5,237,913	-	300,680	(123,946)	(1,026,494)	(7,248)	4,380,905
Tools and test equipment	6,866,798	916,466	6,369	(70,486)	(638,528)	(40,719)	7,039,900
	1,035,003,257	**5,706,734**	**102,419,464**	**(22,362,485)**	**(116,015,730)**	**(11,819,357)**	**992,931,883**

Impairments were raised based on condition of the asset along with the maintenance and service plans. Management determined an estimate based on the information available as well as past-experience. A scale of 1-5 was used to rate the condition of the assets. All assets with impairment indicators were identified through condition assessment during the physical verification process. The fair value of the assets is determined through applying condition assessment.

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Projects capitalised	Disposals	Reclassification between classes	Depreciation	Impairment loss	Total
ATC display system	116,163,164	-	3,971,247	(61,789)	(312)	(12,526,198	(858,348)	106,687,764
Buildings	148,093,120	-	-	-	(60)	(6,184,986)	-	141,908,074
Communication equipment	200,940,599	-	60,657,142	(354,591)	5,607,228	(25,809,941)	(1,025,407)	240,015,030
Computer equipment	78,640,276	1,853,789	-	(279,867)	(5,619,214)	(23,292,044)	(557,321)	50,745,619
Electrical and mechanical equipment	56,760,451	377,699	5,738,050	(371,079)	5,922	(8,346,830)	(230,775)	53,933,438
Infrastructure	1,976,312	-	-	-	-	(260,327)	-	1,715,985
Land	12,891,088	-	-	-	-	-	-	12,891,088
Leasehold improvements	31,864,376	-	51,603,623	-	(944)	(6,510,279)	-	76,956,776
Motor vehicles	171,424	-	-	-	-	(56,609)	-	114,815
Navigation aids	21,963,888	-	39,051,507	-	(227)	(2,403,541)	(3,957)	58,607,670
Office furniture and equipment	12,575,846	2,730,195	6,136,876	(7,549)	(1,114)	(3,232,797)	(37,604)	18,163,853
Radar equipment	299,932,838	-	-	(7,944)	10,045	(38,630,021)	(146,484)	261,158,434
Simulator equipment	6,400,663	-	-	(20,285)	(1,179)	(1,134,700)	(6,586)	5,237,913
Tools and test equipment	7,456,381	127,958	-	-	(145)	(618,877)	(98,519)	6,866,798
	995,830,426	**5,089,641**	**167,158,445**	**(1,103,104)**	**-**	**(129,007,150)**	**(2,965,001)**	**1,035,003,257**

During the year under review, the entity performed the physical verification of assets. The major reclassification from computer equipment to communication equipment is to match the assets class. The computer equipment asset classes that have been reclassified is being solely used for the communication equipment class.

Property, plant and equipment encumbered as security

During the year under review, the company had no assets pledged as security and there were no assets where title was restricted. Subsequent to year-end the entity registered a first ranking general notarial bond over the movable assets for the amount of R600 million to secure the loan facility of R500 million. 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.

13. Leases (company as lessee)

The company entered into a three-year lease agreement for the supply and delivery of printers. The lease payments include no escalation and are payable monthly in advance. The contract expires at the end of December 2022.

The company leases several motor vehicles. The average lease term was five years and this is equal to the useful lives of the motor vehicles.

The company leases equipment necessary for executing its mandate. The lease terms for these portions of equipment range between 19 months and 14 years. The annual escalations range between 0% and 15% for those leases that include a fixed escalation. The lease agreements with variable escalations are linked to the consumer price index.

The company leases several navigation aids, radar sensors, communication facilities and radio sites necessary for executing its mandate. The lease terms for these assets range between 19 months and 5 years. The annual escalations are 10% for those leases that include a fixed escalation. The lease agreements with variable escalations are linked to the consumer price index.

The company entered into lease agreements for office buildings and infrastructure, with the average term being 10 years, and instalments payable monthly in advance with annual escalation at 7.5%.

Some of the lease agreements contain extension options exercisable by the company up to 6 months before the end of the lease term. The company assesses, at the commencement of the agreement, whether it is highly probable that it will exercise the option. The company reassesses whether it is highly probable to exercise the option when there is a significant change in circumstances. The company considered the relevant facts and circumstances that create an economic incentive for the company to exercise or not to exercise the options. Some of these factors include the importance of the underlying assets such as the access roads, the location and the significant leasehold improvements undertaken. Consequently, the company has included all the options to extend the lease terms determined for the measurement of the lease liabilities and right-of-use assets.

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Net carrying amounts of right-of-use assets

	2022	2021
The carrying amounts of right-of-use assets are included in the following line items:		
Buildings	49,173,534	57,814,271
Communication equipment	7,306,551	4,341,349
Computer equipment	760,177	1,770,058
Infrastructure	550,672	801,991
Motor vehicles	173,897	2,827,479
Navigational aids	10,233,975	7,470,915
Radar equipment	1,666,351	2,080,895
	69,865,157	**77,106,958**

Additions to right-of-use assets

	2022	2021
Buildings	-	945,714
Communication equipment	5,099,037	1,589,263
Infrastructure	63,875	177,613
Motor vehicles	-	353,681
Navigation aids	3,020,373	751,728
Adjustments for lease reassessments	-	(474,342)
Remeasurement: communication equipment	1,725,150	-
Remeasurement: navigation aids	1,310,117	-
	11,218,552	**3,343,657**

Disposals on right-of-use assets

	2022	2021
Motor vehicles	592,325	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets is presented below. It includes depreciation that has been expensed and shown separate in profit or loss.

	2022	2021
Buildings	8,640,737	8,769,994
Communication equipment	3,858,985	2,833,478
Computer equipment	1,009,881	1,009,881
Infrastructure	315,195	623,628
Motor vehicles	2,061,255	3,053,521
Navigation aids	1,567,431	1,076,383
Radar sensors	414,544	228,348
	17,868,028	**17,595,233**

Other disclosures

	2022	2021
Interest expense on lease liabilities	9,006,658	9,005,437
Expenses on short-term leases included in operating expenses	3,675,858	569,863
Leases of low value assets included in operating expenses	-	2,785,679

Lease liabilities

	2022	2021
The maturity analysis of lease liabilities is as follows:		
Within one year	19,043,721	18,531,238
Two to five years	74,475,065	67,184,870
More than five years	32,921,642	38,709,319
	126,440,428	124,425,427
Less finance charges component	(36,497,398)	(35,895,730)
	89,943,030	**88,529,697**
Non-current liabilities	76,366,807	77,539,297
Current liabilities	13,576,223	10,990,400
	89,943,030	**88,529,697**

Future cash outflows not reflected in lease liabilities

The company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value. Payments made under such leases are expensed on a straight-line basis.

Total cash outflow for leases for the year-ended 31 March 2022 was R18,811,538 (2021: 19,056,198).

For the year 31 March 2022, the company had no commitments for short-term leases (2021: R 348,069).

Exposure to liquidity risk

Refer to note 32, financial instruments and risk management, for the details of liquidity risk exposure and management.

14. Intangible assets

	2022			2021		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Computer software	**241,543,749**	**(142,308,602)**	**99,235,147**	**251,003,543**	**(131,411,541)**	**119,592,002**

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Projects capitalised	Disposals	Amortisation	Total
Computer software	**119,592,002**	**9,549,103**	**268,162**	**(5,430,070)**	**(24,744,050)**	**99,235,147**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Projects capitalised	Disposals	Amortisation	Impairment loss	Total
Computer software other	**84,058,666**	**6,995,652**	**48,142,887**	**(266,316)**	**(19,338,847)**	**(40)**	**119,592,002**

Pledged as security

During the year under review, the entity had no intangible assets pledged as security. Also, there were no intangible assets where title was restricted.

Other information

	2022	2021
Research and development expenditure expensed during the year	1,438,680	4,347,088

15. Capital work in progress

	2022	2021
Opening carrying value	324,996,324	365,805,603
Additions	171,188,086	140,812,455
Adjustments	(26,140,299)	32,054,745
Impairment loss	(83,598,719)	(84,322)
Project support activities	665,016	1,682,505
Transferred to property, plant, equipment and intangible	(102,687,626)	(215,274,662)
Closing carrying value	**284,422,782**	**324,996,324**

The adjustments in the current year are the reversal of the Period of Beneficial Use (PBU) provisions and capital expenditure accruals.

The impairment loss relates to the Isando Property Development Project that is on hold, consequently, the benefit of the new premises will not be realised as previously anticipated and thus recognition of the impairment loss.

	2022	2021
Radar equipment	82,758,254	74,989,951
Communication equipment	34,611,170	61,958,962
Navigation aids	151,009,877	79,769,687
Electrical and mechanical equipment	922,563	11,477,766
Software	6,895,348	5,183,500
ATC display system	3,948,336	1,049,716
Buildings	-	86,490,317
Computer equipment	-	4,076,425
Simulator	4,277,234	-
	284,422,782	**324,996,324**

16. Deferred tax

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

	2022	2021
At beginning of the year	148,135,660	(29,137,351)
Recognised in statement of profit and loss and other comprehensive income	94,618,523	177,273,011
Total deferred tax liability closing balance	**242,754,183**	**148,135,660**

Deferred income tax asset relates to the following:

	2022	2021
Property, plant and equipment	(153,117,018)	(142,109,419)
Reduction due to rate change	(8,990,896)	-
Right of use assets	(19,562,244)	(21,401,219)
Lease liability	25,184,047	24,572,547
Provisions	23,176,658	44,526,043
Loss allowance on trade receivables	(4,166,297)	(11,869,456)
Section 24C - income received in advance	(9,380,786)	(12,187,777)
Deferred income	9,415,033	12,211,271
Prepayments	(3,045,538)	(2,995,006)
Assessed loss	383,241,224	257,318,676
Donations	-	70,000
	242,754,183	**148,135,660**

Recognition of deferred tax asset

Management is of the view that the impact of COVID-19 is temporary and that the entity will get back to profitability in the foreseeable future. The deferred tax asset will be utilised in the future.

17. Prepayments

Non-current prepayments

	2022	2021
Non-current prepayments	-	1,078,338

During the year under review, there were no long-term prepayments recognised.

Current prepayments

	2022	2021
Current prepayments	14,639,631	18,719,247

Included in prepayments, are rental expenses and other operating expenses paid in advance.

The carrying value of prepayments approximates their fair values. The carrying value of prepayments approximates their fair values.

18. Short-term investments at amortised costs

Short-term investments at amortised costs are presented at amortised cost, which is net of loss allowance, as follows:

	2022	2021
Risk financing insurance policy	16,252,754	16,876,774

Split between non-current and current portions

	2022	2021
Current assets	16,252,754	16,876,774

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.

The policy is renewed annually. The current policy became effective 1 April 2021 and expires on 30 September 2022.

Loans pledged as security

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

Exposure to currency risk

Refer to note 32, financial instruments and financial risk management, for details of currency risk management for short-term investments at amortised costs.

19. Trade and other receivables

Trade and other receivables

	2022	2021
Financial instruments:		
Trade receivables	171,965,234	189,384,776
Less: allowance for expected credit loss	(37,199,078)	(105,977,253)
Trade receivables - net	134,766,156	83,407,523
Other receivables	6,677,028	6,603,265
Non-financial instruments:		
VAT	607,787	23,063,425
Total trade and other receivables	**142,050,971**	**113,074,213**

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.

Other receivables includes in the main, late payment interest from the bank as well as sundry debtors and at year-end other receivables are not impaired.

Categorisation of trade and other receivables

	2022	2021
Trade and other receivables are categorised as follows:		
Financial at amortised cost	141,443,184	90,010,788
Non-financial instruments	607,787	23,063,425
	142,050,971	**113,074,213**

Trade and other receivables pledged as security

The entity has pledged its personal rights against its trade and other receivables and has transferred such rights to a lender to secure the fulfilment of a loan facility.

Exposure to credit risk

The impact of COVID-19 continued to have negative impact on the organisation, in particular the Delta variants, which led to travel restrictions and key airlines had to suspend their operations during the months of July and August 2021. During this period, certain airlines requested extended payment plans and this had negative impact on the company's cash flows and further increased the risk of expected credit losses.

Despite these challenges, the company needed to maximise cash inflows and reduce the credit risk to an acceptable level. An aggressive collections approach was implemented, as well as continued review and monitoring of trade receivables to identify high credit risk airlines and operators to minimise the risk.

When evaluating the credit risk, the company considered deposits of R21 million (2021: R12.8 million) held on behalf of customers, as well as bank guarantees of R57 million (2021: R57 million) from customers in the name of the company. The quality of the bank guarantees on the credit risk are high and they are receivable on demand by the company should the customer default on their account. During the year under review, there have been no significant changes in the quality of the bank guarantees and security deposits. All customers with bank guarantees and security deposits were assessed for credit loss at year-end. The deposits are included in cash and cash equivalents (note 21) as unrestricted cash, with the related liability included in other payables (note 25). 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.

The Company measures the loss allowance for trade receivables by applying a simplified approach. 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 reviewed and developed in the current year by making use of the company credit management policy, history of past default debtors and forward-looking information.

At year-end, the company assessed the credit risk of its customers and the following indicators were used for the review:

- Overall default on credit terms.
- Future cash flow forecast (April 2022).
- Default on extended payment plans.
- Airlines who are refused services.

Based on management's assessment and judgment, the credit risk has significantly reduced as at 31 March 2022 due to aggressive collections to maximize cash inflows, the expected credit loss rate was then revised to the following rates:

	2022			2021		
	Estimated gross carrying amount at default	Impaired	Provision matrix	Estimated gross carrying amount at default	Impaired	Provision matrix
The ageing of trade receivables at the reporting date was:						
Not past due	128,980,570	6,326,130	5%	78,560,041	12,005,366	15%
Past due by 30 days	10,891,444	2,157,586	20%	15,573,389	4,352,583	28%
Past due by 31 to 60 days	3,442,214	1,505,844	44%	8,771,783	3,139,740	36%
Past due by more than 60 days	1,565,544	1,145,842	73%	4,289,122	4,289,122	100%
91 - 120 days past due	27,085,462	26,063,676	96%	82,190,441	82,190,442	100%
Total	**171,965,234**	**37,199,078**		**189,384,776**	**105,977,253**	

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

Reconciliation of loss allowances

	2022	2021
Opening balance	(105,977,253)	(226,178,289)
Remeasurement of loss allowance	7,056,785	(16,278,162)
Bad debts write off	61,721,390	136,479,198
Closing balance	**(37,199,078)**	**(105,977,253)**

Exposure to currency risk

Refer to note 32 for details of currency risk management for trade receivables.

The carrying amount of the trade and other receivables is considered a reasonable approximation of fair value as the financial assets are expected to be paid within one to two months, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

Refer to note 30 for related party information.

20. Tax (paid) refunded

	2022	2021
Balance at beginning of the year	11,092,248	10,866,557
Balance at end of the year	(36,467)	(11,092,248)
	11,055,781	**(225,691)**

21. Cash and cash equivalents

	2022	2021
Cash and cash equivalents consist of:		
Bank balances - US dollar denominated	272,337,562	320,998,134
Bank balances	76,402,763	70,355,336
Call deposit account	59,529,679	438,841,063
Other cash and cash equivalents	159,217	176,179
	408,429,221	**830,370,712**

Cash and cash equivalents comprise cash and short-term deposits with an original maturity of three months or less, net of outstanding bank overdraft. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period are shown in the statement of cashflows can be reconciled to the related items in the reporting position as shown on the note

Cession in security

Subsequent to year-end, the entity has ceded, in security, all of its rights, title and interest in and to, inter alia, the bank account, including any and all amounts or monies standing to the credit of the account, to the lender

22. Share capital

	2022	2021
Authorised		
500 million ordinary shares	500,000,000	500,000,000

The share capital of the entity consists only of fully paid ordinary shares with a par value of R1 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote per share at a shareholders meeting. All the company's shares are held by the South African Government through the Department of Transport.

	2022	2021
Issued		
Ordinary	**190,646,000**	**190,646,000**

23. Provisions

Reconciliation of provisions - 2022

	Opening balance	Utilised during the year	Total
Capital expenditure projects	18,391,292	(2,018,086)	16,373,206

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Reversed the during the year	Total
Performance bonus	81,500,000	-	-	(81,500,000)	-
Capital expenditure projects	7,482,171	10,924,870	-	(15,749)	18,391,292
Provision for credit notes	565,798	-	(565,798)	-	-
	89,547,969	**10,924,870**	**(565,798)**	**(81,515,749)**	**18,391,292**

(a) Performance bonus

No performance bonus was provided for during the year under review.

(b) Capital expenditure projects

Capital expenditure projects relate to amounts provided for Period of Beneficial Use (PBU). PBU is a validation period commencing after system acceptance and running concurrently with the suppliers' system warranty for at least 12 months. During this period, the entity retains a certain percentage payable to the Original Equipment Manufacturer (OEM) to allow the company to validate the technical performance of the system.

24. Contract liabilities

Summary of contract liabilities

	2022	2021
Aeronautical information services	4,048,824	-
Training to third parties	2,066,180	4,195,389
	6,115,004	**4,195,389**

Reconciliation of contract liabilities

	2022	2021
Opening balance	4,195,389	8,143,262
Revenue recognised on delivery of services previously paid for	(3,925,669)	(3,659,506)
Payments received in advance of delivery of performance obligations	8,306,478	776,092
Transferred to other income	(1,946,479)	-
Transferred to VAT control account	(514,715)	-
Client refund	-	(1,064,459)
	6,115,004	**4,195,389**

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 and for aeronautical information services, revenue is recognised once the performance obligations have been satisfied.

Other movements, in the main, consist of funds transferred to other income where it is unlikely that revenue will be recognised.

25. Trade and other payables

Financial instruments

	2022	2021
Trade payables	94,613,648	65,815,100
DOT MEOSAR project	27,510,104	39,416,295
Accrued expenses	13,771,715	82,116,987
Leave pay accrual	44,519,926	51,371,464
Deposits received	21,032,805	12,754,873
Other payables	13,964,715	12,758,718
	215,412,913	**264,233,437**

Refund liability

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.

The company breached on municipal rates and charged with late payment interest and the details are disclosed under note 10.

Refer to note 30 for related party information.

26. Cash used in operations

	2022	2021
Loss before taxation	(472,540,398)	(755,501,483)
Adjustments for:		
Depreciation and amortisation	158,627,808	165,941,229
Losses on disposals, scrappings and settlements of assets and liabilities	28,355,047	1,252,066
Losses on foreign exchange	7,924,763	70,325,152
Interest revenue	(7,843,894)	(43,420,817)
Finance costs	9,411,490	9,306,923
Movements in provisions	(2,018,086)	(71,156,690)
Impairment loss	11,819,357	2,965,001
Impairment loss on work in progress	83,598,719	-
Changes in working capital:		
Trade and other receivables	(28,976,758)	37,141,798
Prepayments	4,079,616	(2,343,888)
Trade and other payables	(48,820,524)	51,186,678
Contract liabilities	1,919,615	(3,947,873)
Work in progress accruals	26,140,300	(32,054,745)
Changes on loans receivables	624,020	3,231,573
	(227,698,925)	**(567,075,076)**

27. Commitments

	2022	2021
Authorised capital and operational expenditure already contracted for but not provided for		
Property, plant, equipment and intangible assets	374,748,430	538,519,030
Operational expenditure	238,102,125	167,121,696

28. Guarantees and contingent liabilities

The entity entered into an agreement with Department of Transport (DOT) as an implementing agent for the provision of Medium Earth Orbit Search and Rescue (MEOSAR) ground segment capability solution. The entity received an advance payment of R52 million, however ATNS has not met the completion date of June 2019 as per the agreement. The contingent liability of R10.6 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 guaranteed that it would pay to the suppliers an amount of R2 million (2021: R2.8 million).

29. 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 three 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 01 February 2021 up to 31 January 2024 and the Registrar approved the application on 08 December 2020.

The latest actuarial assessment of the ATNS retirement fund was at 31 January 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 R80.5 million (2021: R84 million).

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

30. Related parties

The sole shareholder of 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.

The related parties of ATNS consist mainly of government departments, state-owned enterprises, and other public entities in the national spheres of government, as well as directors and key management personnel. A list of all government institution and all public entities are available on the internet at https://nationalgovernment.co.za.

With the exception of certain transactions with Airports Company South Africa, all transactions with the related parties are concluded on an arm's length basis.

Year end balances arising from related party activity

	2022	2021
Amounts included in trade receivables regarding related parties		
Airports Company of South Africa	7,995,193	6,774,862
South African Airways	3,949,502	690,329
South African Express	-	123,945
Mango Airlines	6,942	52,762,805
City Council of Tshwane	3,422,537	3,082,432
North West Province	2,896,311	3,399,742
Msunduzi Municipality	747,541	1,280,061
Ethekwini Municipality	1,709,052	962,971
Gateway Airports Authority Limited	-	4,125,466
Department of Roads & Transport - Eastern Cape	4,068,493	3,238,584
Other	672,460	434,970
Amounts included in trade payables regarding related parties		
Airports Company of South Africa	2,143,112	1,298,059
Eskom Holdings (SOC) Ltd	858,955	5,071
South African Civil Aviation Authority	4,736,009	24,190
Telkom SA (SOC) Ltd	805,443	177,575
National Department of Transport	27,510,104	39,416,295
Other	514,865	82,101

Related party transactions

	2022	2021
Revenue of services to related parties		
Airports Company of South Africa	12,335,136	13,783,085
North West Province	10,924,282	10,153,954
South African Civil Aviation Authority	1,404,000	-
South African Air Force Capital	5,774	1,412
South African Airways	16,824,671	3,370,722
Mango Airlines	22,583,925	48,098,997
South African Weather Services	1,701,264	1,265,882
City Council of Tshwane	19,507,006	12,180,512
Department of Roads and Transport - Eastern Cape	4,606,002	5,679,467
Gateway Airports Authority Limited	4,807,466	4,460,203
Msunduzi Municipality	4,131,066	4,162,378
Ethekwini Municipality	3,592,217	3,965,951
Other	688,566	431,622
Purchases from related parties		
Airports Company of South Africa	22,060,976	11,095,531
Eskom Holdings (SOC) Ltd	15,347,732	8,340,339
South African Civil Aviation Authority	15,242,174	16,099,744
Telkom SA (SOC) Ltd	31,280,331	22,897,309
Sentech (SOC) Ltd	2,940,778	2,686,860
Other	3,177,336	2,462,364

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.

Other is made up of various amounts due by or to the entity by other government agencies and their balances isolation are immaterial.

31. Directors' and prescribed officer's emoluments

All non-executive directors are South Africans.

The service contract for the executive directors is for a term of five years. The notice period for the Chief Executive Officer is six months. The service contract for the non-executive directors is for a period of three years, subject to retirement at the annual general meeting. Compensation for non-executive directors is in accordance with the state- owned enterprise guidelines. There were no post-employment benefits, share-based payments or other long-term benefits paid in the current financial year.

Executives

2022	Cost to company	Other benefits	Total
D.H. Sangweni	2,535,749	355,150	2,890,899
S. Malinga	3,162,887	35,000	3,197,887
J.M. Moholola	2,785,465	10,000	2,795,465
L. Mahamba	2,011,928	30,000	2,041,928
L. Mngomezulu (Resigned: 31 December 2021)	1,629,432	-	1,629,432
P.T. Mdebuka	1,991,617	30,000	2,021,617
T.V. Ndou	2,293,812	10,000	2,303,812
H.V. Sebona	2,377,556	-	2,377,556
L. Ngcwabe	1,975,604	5,756	1,981,360
T.C. Myeza (Reassigned 31 December 2021)	2,015,226	5,756	2,020,982
J.Z. Matshoba	2,410,279	391,658	2,801,937
M.M. Maqashelana	1,954,463	-	1,954,463
R.M. Madlala	2,088,505	15,000	2,103,505
	29,232,523	**888,320**	**30,120,843**

2021	Cost to company	Other benefits	Total
D.H. Sangweni	2,522,224	365,150	2,887,374
S. Malinga	3,142,916	30,000	3,172,916
J.M. Moholola	2,770,019	-	2,770,019
L. Mahamba	1,998,667	30,000	2,028,667
L. Mngomezulu	1,702,947	-	1,702,947
P.T. Mdebuka	1,985,598	36,000	2,021,598
H.J. Marias (Resigned 31 May 2020)	589,851	14,053	603,904
T.V. Ndou	2,281,286	-	2,281,286
H.V. Sebona	2,364,422	-	2,364,422
L. Ngcwabe	1,964,644	-	1,964,644
T.C. Myeza	2,669,269	7,887	2,677,156
J.Z. Matshoba	2,393,084	326,585	2,719,669
M.M. Maqashelana	1,942,666	-	1,942,666
R.M. Madlala	2,066,335	-	2,066,335
	30,393,928	**809,675**	**31,203,603**

Other benefits, by and large, include acting allowance, long service payout and cellphone allowance.

Non-executive Directors

2022	Fees for services as director	Total
S. Thobela	1,015,144	1,015,144
S. Badat	673,266	673,266
K.N. Vundla	543,537	543,537
K.S. Boqwana	689,723	689,723
Z.G. Myeza	701,298	701,298
L.N.J. Ngema	652,701	652,701
N. Kubheka	532,633	532,633
C.R. Burger	354,807	354,807
J.C. Trembath	400,083	400,083
T. Kgokolo	383,738	383,738
	5,946,930	**5,946,930**

2021	Fees for services as director	Total
S. Thobela	1,170,859	1,170,859
S. Badat	807,189	807,189
K.N. Vundla	737,137	737,137
K.S. Boqwana	845,734	845,734
Z.G. Myeza	735,565	735,565
N.L.J. Ngema	774,215	774,215
N. Kubheka	672,553	672,553
C.R. Burger	603,501	603,501
J.C. Trembath	613,784	613,784
T. Kgokolo	487,226	487,226
	7,447,763	**7,447,763**

Prescribed officers

2022	Cost to company	Other benefits	Total
C.H.B. Gersbach	1,720,240	54,000	1,774,240
S.W. Nkabinde	1,690,244	30,000	1,720,244
J.M. Manyakoana (Resigned: 31 October 2021)	1,535,301	-	1,535,301
K. Sebopa	1,527,426	-	1,527,426
N.M. Phakathi	1,484,862	24,000	1,508,862
V.L. Mofolo	1,451,809	-	1,451,809
L.T. Ndelu	1,190,971	24,000	1,214,971
	10,600,853	**132,000**	**10,732,853**

Other benefits, by and large, include acting allowance, long service payout and cellphone allowance.

2021	Cost to company	Other benefits	Total
J.M. Manyakoana	2,031,150	148,363	2,179,513
C.H.B. Gersbach	1,707,279	24,000	1,731,279
S.W. Nkabinde	1,678,452	20,112	1,698,564
K. Sebopa	1,511,797	38,583	1,550,380
N.M. Phakathi	1,476,585	29,000	1,505,585
V.L. Mofolo	1,442,304	-	1,442,304
L.T. Ndelu	1,182,954	39,000	1,221,954
H. Reid (Resigned: 30 September 2020)	1,176,480	12,000	1,188,480
	12,207,001	**311,058**	**12,518,059**

Other benefits, by and large, include acting allowance, long service payout and cellphone allowance.

32. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2022	Notes	Amortised cost
Other short-term financial assets	18	16,252,754
Trade and other receivables	19	141,443,184
Cash and cash equivalents	21	408,429,221
		566,125,159

2021	Notes	Amortised cost
Short-term investments	18	16,876,774
Trade and other receivables	19	90,010,788
Cash and cash equivalents	21	830,370,712
		937,258,274

Categories of financial instruments

Categories of financial liabilities

2022	Notes	Amortised cost
Trade and other payables	25	**215,412,913**

2021	Notes	Amortised cost
Trade and other payables	25	**264,233,437**

Financial risk management

Overview

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

- Credit risk;
- Liquidity risk; and
- 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 short-term investments at amortised costs, trade and other receivables and cash and cash equivalents.

Credit risk for exposures other than those arising on cash and cash equivalents are managed by continuous review of the age analysis in particular top 50 accounts. Sufficient bank guarantees and security deposits are obtained when necessary for those clients whose billing exceeds R100,000.

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

The entity has contingency Policy a (Self Fund), underwritten and administered by third party. The investment is a contingency policy, whereby the entity covers its own risk. The fund limits are reviewed annually, and the investment may be cancelled at any time, giving 30 (thirty) days written notice.

Credit loss allowances for expected credit losses are recognised for all trade receivables where there are potential defaults. For detail credit risk assessment on expected credit allowance refer to note 19.

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

Credit risk exposure

		2022			2021		
	Notes	Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Short-term investments	18	16,252,754	-	16,252,754	16,876,774	-	16,876,774
Trade and other receivables	19	179,250,049	(37,199,078)	142,050,971	219,051,466	(105,977,253)	113,074,213
Cash and cash equivalents	21	408,429,221	-	408,429,221	830,370,712	-	830,370,712
		603,932,024	**(37,199,078)**	**566,732,946**	**1,066,298,952**	**(105,977,253)**	**960,321,699**

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 a mixture of cash generated from operations and long and short-term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

The company assessed the liquidity risk using latest forecast and projections of future cash flows. The company has enough cash reserves to fund its obligations as they become due.

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.

Liquidity risk

2022	Notes	1 to 2 years	2 to 5 years	Over 5 years	Total
Non-current liabilities					
Lease liabilities		-	74,475,065	32,921,642	107,396,707
Current liabilities					
Trade and other payables	25	215,412,913	-	-	215,412,913
Lease liabilities	13	19,043,721	-	-	19,043,721
		234,456,634	**74,475,065**	**32,921,642**	**341,853,341**

2021	Notes	1 to 2 years	2 to 5 years	Over 5 years	Total
Non-current liabilities					
Lease liabilities		-	67,184,870	38,709,319	105,894,189
Current liabilities					
Trade and other payables	13	264,233,437	-	-	264,233,437
Lease liabilities		18,531,238	-	-	18,531,238
		282,764,675	**67,184,870**	**38,709,319**	**386,658,864**

Foreign currency risk exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure were as follows:

	Notes	2022	2021
US dollar exposure:			
Current assets:			
Trade and other receivables		20,808,347	25,307,743
Cash and cash equivalents	23	272,337,562	320,998,134
Short-term investment		12,540,263	13,171,199
Current liabilities:			
Trade and other payables		(1,290,542)	(17,067,272)
Net US dollar exposure		**304,395,630**	**342,409,804**

Exchange rates

The following closing exchange rates were applied at the reporting date:

Rand per unit of foreign currency:		
US dollar	14,550	14,900

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 it 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 with the previous reporting period.

A 10% strengthening in the Rand against the below currencies at 31 March 2022 would have decreased profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remained constant. The analysis was performed on the same basis for 31 March 2021.

A 10% weakening in the Rand against the above currencies at 31 March 2022 would have had the equal but opposite effect to the amounts shown below, on the basis that all other variables remained constant.

Increase or decrease in rate

	2022	2021
Impact on profit or loss:		
US dollar	30,439,563	34,240,980

33. Events after the reporting period

The directors are not aware of any material event that occurred after the reporting date, except for the following;

- A key customer for the entity announced that it is to be liquidated. The customer had been on business rescue since the beginning of the COVID-19 pandemic. This is a non-adjusting event as it happened after year-end and the amount owed at the end of March 2022 was paid in April 2022.
- The entity fulfilled the conditions required to access the loan facility of R500 million secured with a Lender. The loan facility has been secured to fund the capital expenditure of the entity. For the terms and conditions of the facility refer to note 34.

34. Going concern

The current permission (to levy charges) will remain in effect for a full five-year period, thus, unlike in prior years, the entity will implement tariffs set five years ago. Given the time lapse and the impact of COVID-19, these tariffs pose a threat to the entity's going concern.

However, management has considered the following factors:

- The company secured a borrowing facility of R500 million to fund capital expenditure. The following terms are attached to the facility:
  - availability period of 24 months after fulfilment date;
  - capital grace period of 24 months after date of first utilisation;
  - interest rate per annum being the aggregate of the applicable base rate (variable 3 month JIBAR) and margin (4.15%);
  - tenor of 9 years including the grace period;
  - a Commitment Fee of 0.5% per annum on the undisbursed and undrawn Facility amount;
  - quarterly repayments;
  - cession of the bank account, debtors' book and insurance proceeds;
  - registration of notarial bond over all the movable property and Financial and Non-Financial Covenants.
- Cash as at the end of the reporting period is R408 million.
- The Salary bill was re-based through the s189 of the Labour Relations Act. This process was implemented during the financial year and has since been completed. Early retirements and voluntary severance packages were offered to employees and a total of 81 employees took this offer, which resulted in the entity achieving a long-term saving of R50m. No retrenchments occurred due to this process.
- The process to apply for the new Permission for the financial years 2023/24 to 2027/28 is currently underway. The new tariffs are expected to cover the entity's operating costs.
- Management updated the entity's forecast post the liquidation of a key customer in June 2022. The projections indicate that despite the loss of the key customer, the entity will continue as a going concern in the foreseeable future.

Based on the above considerations, the Board of Directors is of the view that the entity remains to be a going concern.

35. Irregular expenditure

Reconciliation of irregular expenditure as at 31 March 2022

	Opening balance	Additions	Removed by Board	Additions relating to prior year identified in current year	Total
Movements	21,520,882	-	(10,136,000)	92,200	11,477,082

The Board resolved to remove from the Annual Financial Statements an amount of R10.1m after following a due process, which, amongst others, included approaching National Treasury for condonation.

The irregular expenditure identified in the current financial year is R92k, which relates to the previous year but only confirmed in FY 2021/22. The main contributor relates to failure to follow SCM processes in sourcing training services.

ATNS has implemented National Treasury's Irregular Expenditure Framework by establishing Loss Control Function (referred to as Irregular Expenditure Committee) for detection, assessment, investigation, and performance of determination tests.

The Loss Control Function will continue to investigate the reported irregular expenditure with the aim of appropriately assessing the remaining balance of R11.4million.

Details of irregular expenditure as at 31 March 2022

	Opening balance	Additions	Removed by Board	Additions relating to prior year identified in current year	Total
Non-compliance with PPPFA	9,650,917	-	(2,326,690)	92,200	7,416,427
Non-compliance with National Treasury requirements	4,060,655	-	-	-	4,060,655
Non-compliance with PFMA	7,809,310	-	(7,809,310)	-	-
	21,520,882	**-**	**(10,136,000)**	**92,200**	**11,477,082**

As at 31 March 2022, a total of R5.6 million was submitted to National Treasury for condonation and ATNS is awaiting feedback.

Irregular expenditure under assessment

At the time of reporting for the 2021/22 financial year, there were matters amounting to R 207 972 under assessment in line with the Irregular Expenditure Framework as published by the National Treasury.

Assessment in this regard refers to tests as assigned by the Accounting Authority / Accounting Officer of ATNS, to identify possible irregularities in transactions processed and to confirm the allegations of irregular expenditure. These assessments may result in additional irregular expenditure, as the nature and extent at the reporting date have not been established.

36. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure 2022

	Opening balance	Additions	Adjustments	Amounts recovered/ written off	Total
Opening balance	1,235,497	467,649	(462,533)	(62,816)	1,177,797

Additional fruitless and wasteful expenditure relates to interest charges levied for not paying suppliers timeously. Management has engaged the affected service providers as some of the invoices were in dispute and could not be paid timeously.

The system of internal control is being reviewed to ensure non-recurrence of these transactions.

Adjustments relate to the following: web application firewall services (R462.5k) - was duplicated under irregular expenditure. This has been condoned by National Treasury.

Amounts recovered/written off relates to prior year interest reversed by suppliers.

37. Material losses through criminal conduct

	2022	2021
Fraud	-	1,111,999
Losses recovered	-	(1,038,800)
Net Loss	**-**	**73,199**

During the year under review, there were no material losses due to criminal conduct.

Our company information

ATNS Head Office

Postal address

Private bag X15
Kempton Park
1620

Street address

Block C, Eastgate Office Park
South Boulevard Road
Bruma
2198
Gauteng
Republic of South Africa

Contact details

Tel: +27 11 607 1000
Fax: +27 11 607 1570
Website: www.atns.com
Email: marketing@atns.co.za

Southern Region

Postal address

Private bag X17
Cape Town International Airport 7525

Air Traffic Management contact details

Tel: +27 21 937 1122
Fax: +27 21 934 5530

Technical Services contact details

Tel: +27 21 937 1153
Fax: +27 21 937 1181

Northern Region

Postal address

Johannesburg International Airport Private bag X1
Bonaero Park
1622

Air Traffic Management contact details

Tel: +27 11 928 6439
Fax: +27 11 395 1045

Technical Services contact details

Tel: +27 11 928 6469
Fax: +27 11 395 1049

Aviation Training Academy

Postal address

Private bag X1
Bonaero Park
1622

Contact details

Tel: +27 11 570 0400
Fax: +27 11 395 3347

Bankers

RMB address:

12th Floor
1 Merchant Road Cnr Rivonia Road & Fredman Drive
Sandton
2196

Contact details

Tel: +27 11 282 1421

Auditors

Nexia SAB&T auditors address:

119 Witch-Hazel Avenue, Centurion
Techno Park
Pretoria
0157

Contact details

Tel: +27 12 682 8800

AIR TRAFFIC & NAVIGATION SERVICES

ATNS