2021 ANNUAL FINANCIAL STATEMENTS

AIR TRAFFIC AND
NAVIGATION SERVICES (SOC) LTD

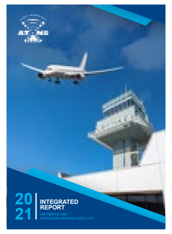
Towards a sustainable future

In many ways, our 2021 financial year was a bittersweet one for ATNS and certainly more bitter than sweet. In the face of an extremely tough year, we were heartened that we could continue to work with our regulators and partners, serve our customers and support the broader ATNS team through the COVID-19 crisis. Our leadership and our ATNS employees are to be commended on a job well done in managing the health and safety of our many stakeholders, while progressing with essential business activities.

Despite the very many challenges, we proved the underlying strength and resilience of our business model; and our agility to take proactive steps to respond to a volatile external environment. We remain focussed on our aspiration of transforming our organisation and the broader aviation sector; seeking to achieve our goal of building a sustainable future for the company, the aviation sector in South Africa including many parts of the Africa-Indian Ocean and surrounding regions.

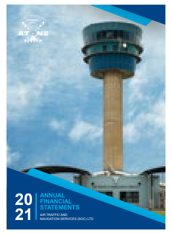
For us, 'sustainability' is about how we build and manage the resources at our disposal: how we invest in capacity, capabilities, infrastructure, technologies and know-how; how we transform our organisation and the sector in which we operate; how we care for the wellness of our people; and how we counter our impact on the air transport environment. From a financial perspective, 'sustainability' is about preserving value in the short term and managing well-considered trade-offs for the longer term benefit of the organisation and our stakeholders. To a large extent, FY21, was about preserving value and limiting value erosion so that we can lay a solid foundation for future growth.

Our reporting suite



IR 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 story.



AFS ANNUAL FINANCIAL STATEMENTS

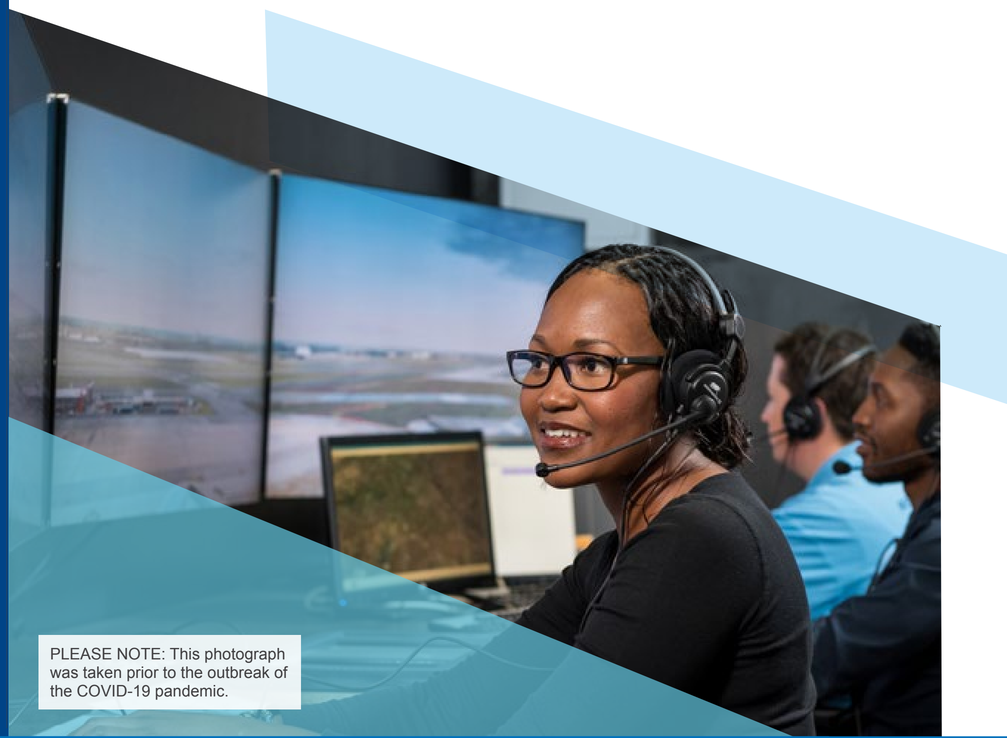
The annual financial statements provide a comprehensive report of ATNS's financial performance for the year.

IV KING IV REGISTER

Our King IV register is a schedule of our application of the King IV Report on Corporate Governance for South Africa (2016) and is available on our website at **www.atns.co.za.**

GRI GRI INDEX

Our GRI index summarises our sustainability disclosures as they relate to our economic, social and environmental impacts. A copy is available on our website at **www.atns.co.za.**



PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

Contents

01 OUR FINANCIAL OVERVIEW

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

06 Organisation at a glance
08 Directors' report
12 Audit and Risk Committee report
16 Chief Financial Officer's overview

02 OUR FINANCIAL STATEMENTS

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

23 Certificate of the Company Secretary
25 Directors' responsibilities and approval
26 Independent Auditor's report
33 Statement of financial position
34 Statement of profit or loss and other comprehensive income
35 Statement of changes in equity
36 Statement of cash flows

03 FINANCIAL STATEMENTS NOTES

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

40 Significant accounting policies (notes 1.1 to 1.16)
46 New or revised standards and interpretations (note 2)
47 Other notes (notes 3 to 37)
100 Corporate information

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.

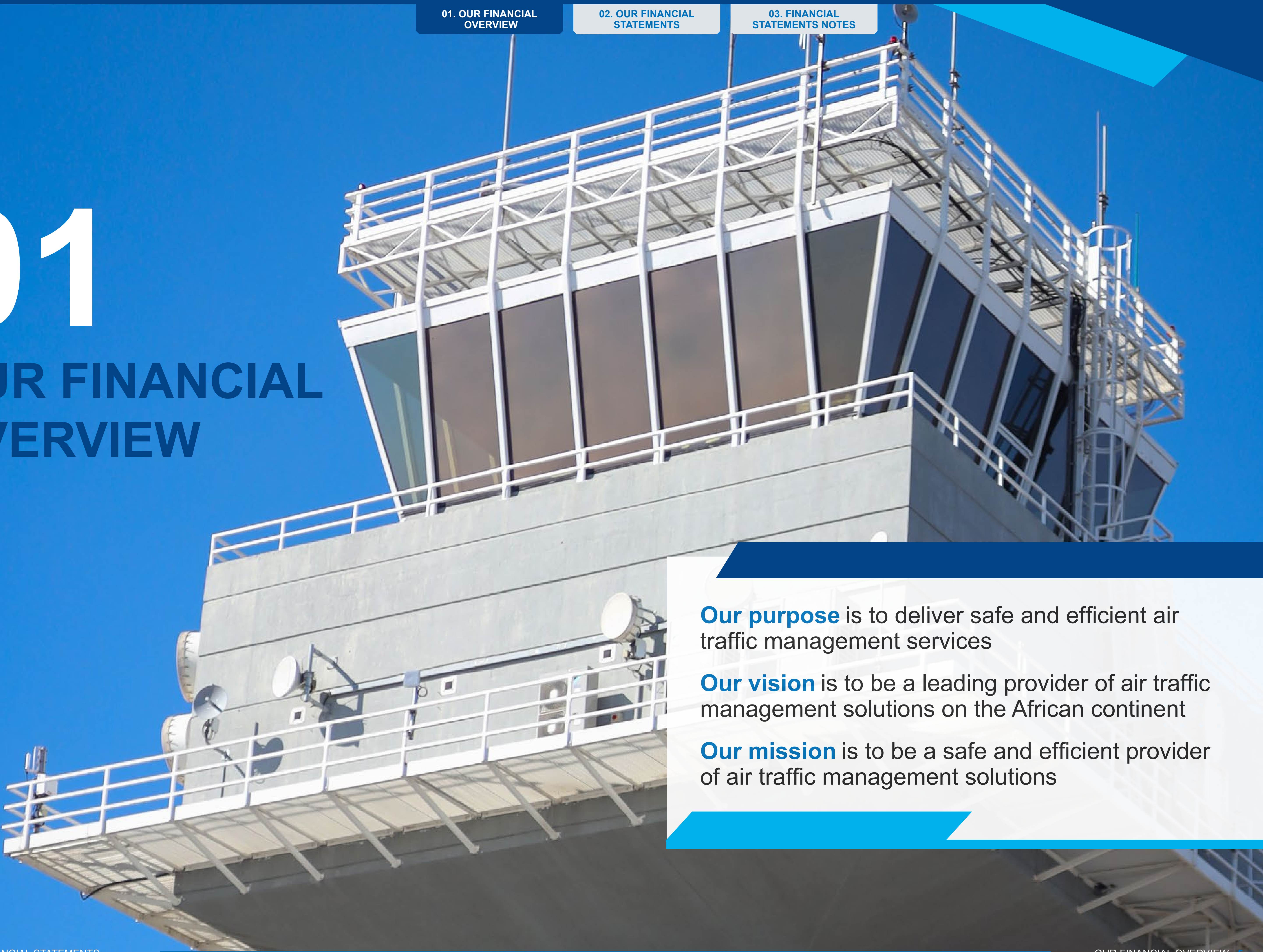
Internal control framework

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 26 to 30 of our AFS.

01

OUR FINANCIAL OVERVIEW



Our purpose is to deliver safe and efficient air traffic management services

Our vision is to be a leading provider of air traffic management solutions on the African continent

Our mission is to be a safe and efficient provider of air traffic management solutions

Our organisation at a glance

At Air Traffic and Navigation Services SOC Limited (ATNS), we pride ourselves in providing safe and efficient service across the African skies. We are responsible for the provision of air traffic control services throughout South Africa, as well as a large part of the Indian and Atlantic Ocean regions, which comprise approximately 6% of the world's airspace.

We strive to be the leading provider of air traffic management solutions in Africa, providing quality service, client satisfaction and ethical leadership. We operate in South Africa and across the African continent.

We were established in 1993 in terms of the ATNS Company Act (No. 45 of 1993) (as amended) for the acquisition, establishment, development, provision, maintenance, management, control and operation of air navigation infrastructures, air traffic services and air navigation services.

This past financial year was a challenging year for ATNS, the aviation industry and across all sectors and walks of life. Given a range of uncertainties and based on the outcomes of our scenario-planning and stress-testing exercises, we adjusted our 2025 strategy and corporate plan and prioritised the following strategic initiatives:

- Safety and efficiency;
- Financial sustainability;
- Capex and Opex reprioritisation;
- Business modernisation, technology and innovation;
- People and culture.

For a summary of these initiatives, please turn to the Chief Financial Officer's overview on page 106 of our integrated report.

Our air traffic services cover over **22 million square kilometres** of airspace, being **6% of the global airspace.**

We serve **nine South African statutory airports operated** by the Airports Company of South Africa (ACSA) and **twelve regional airports** (including St Helena outside of South Africa).

PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

Directors' report

The directors have pleasure in submitting their report on the financial statements of Air Traffic and Navigation Services SOC Limited for the year ended March 31, 2021.

1. Nature of the business

Air Traffic and Navigation Services SOC Limited 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 (Act 45. 1993) as a limited liability company. The government of South Africa, through the Minister of Transport, is the sole shareholder. ATNS falls under the governance umbrella created by the Public Finance Management Act (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 (SACAA), as mandated under the Civil Aviation Act (Act No.13 of 2009) as amended in 2016.

The entity continues to adopt leading practices and remains agile in approach to continuously comply with applicable legal requirements.

4. Economic regulation

As a monopoly, the company is regulated economically by the Regulating Committee which is a statutory body formed and appointed by the shareholder, the Department of Transport.

The Air Traffic and Navigation Services Company Act (No. 45 of 1993) (as amended) 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 and air navigation services.

The Regulating Committee issued the 2018/19 – 2022/23 permission on 6 August 2018, in accordance with Section 11 of the ATNS Company Act, 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 2020/21 was the third year of the current permission.

In terms of Section 11 of the ATNS Act, the company is required to submit a request for permission to levy regulated charges to the Economic Regulator. Accordingly, the 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.

5. Overall performance

During the year under review, total revenue decreased by 67% to R547 million (FY20: R1 673 million). The adverse decline in revenue is entirely attributed to the impact of the COVID-19 global pandemic that led to air travel restrictions by the South African government in the first six months of the year under review.

The impact of the COVID-19 global pandemic necessitated the company to review its budget and implement cost containment measures. Therefore operational cost decreased by 30% to R1 101 million (FY20: R1 569 million).

Capital expenditure was at R155 million (FY20: R149 million) mainly due to capital infrastructure to revamp the training academy.

Our balance sheet is still sound with a liquidity ratio of 3.3:1 (FY20: 5.6:1) and gearing at 4.25% (FY20: 3.4%).

The return of capital employed (ROCE) is (26%) (Regulated ROCE (55.5%)). 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 decreased by 393% to (R567) million (FY20: R115 million), mainly due to the impact of the COVID-19 global pandemic. The entity's cash reserves have deteriorated significantly to R830 million. This is mainly due to fewer aircraft movements as a result of travel bans and reduced capacity by airlines, and the poor credit profile of major customers.

6. Dividends

No dividends were declared or paid to the shareholder during the year (FY20: 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. 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 were R539 million (FY20: R550 million). Due to the impact of COVID-19, the company will review and renegotiate some of its commitments with a view to deferring some of the expenditure that is not critical and urgent.

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

LIST OF DIRECTORS

Directors	Date Appointed	Capacity	Nationality
S.Thobela	21 May 2018	Chairperson	South African
T. Kgokolo	13 April 2018	Non-executive	South African
M. Moholola	01 August 2019	Chief Financial Officer	South African
K.N. Vundla	13 April 2018	Non-executive	South African
J.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
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 significant events that occurred after the reporting date that would require adjustments to or disclosure in the financial statements. Furthermore, management is not aware of any circumstances that exist that would impede the company's ability to continue as a going concern.

However, subsequent to year-end, management initiated a process to implement section 189 of the Labour Relations Act and are in negotiations to secure funding for the capital programme. Although these events are significant, they do not have an impact on the current financial year reporting.

12. Going concern

The aviation industry has been hard hit by the resultant travel bans and the poor global economic outlook. Severe restrictions have been placed on local and global travel. This has resulted in fewer aircraft movements. As revenue is linked to movements, the entity experienced significantly low tariff revenue, which did not cover its full operating costs for the year under review. The current permission (to levy charges) is expected to 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:

- ATNS's ability to raise a borrowing facility.
- Monitoring of the entity's cash flow and liquidity requirements on a regular basis using rolling forecasts.
- Cash as at the end of the reporting period is R830 million (2020: R1.6 billion).
- Reprioritisation and deferral of certain capital expenditure.
- A review of the operating costs.

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 noted the irregular expenditure incurred and that it 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 ensuring that adequate control measures are being put in place to prevent recurrence.

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. The Company Secretary

The company secretary is **Ms. Lindelwa Mngomezulu**

Postal Address:

Private Bag X15
Kempton Park
1620

Business address:

Eastgate Office Park
Block C
South Boulevard Road
Bruma
2198

‘One of the Audit and Risk Committee’s key focus areas for the 2021 financial year was assessing the appropriateness of ATNS’s response to the impacts of the COVID-19 pandemic.’

Suleman Badat
Chairman
Audit and Risk Committee

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 2021.

This independent statutory committee is appointed by the shareholder. The committee’s statutory responsibilities are defined by the Public Finance Management Act and the Companies Act and it has further responsibilities delegated to it by the Board.

About the committee

The committee operates under a formal terms of reference, which has been approved by the Board. The committee has conducted its affairs and discharged its responsibilities in 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:

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 (8) times during the year under review. The table on page 76 of the integrated report references the attendance at these meetings. The Chief Executive Officer, Chief Financial Officer, Chief Audit Executive and external auditors regularly attend meetings 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.

3. External auditor

The committee considered the following:

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

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

4. Roles 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, which management and the Board have established;
- Overseeing the risk management process, including the consideration of the risk management policy and plans of the company, and the significant risks facing the company;
- Overseeing the auditing, accounting and financial reporting processes;
- Reviewing and appraising the performance of external auditors and the internal audit function;
- Overseeing internal audit and integrated reporting;
- Reporting on the quality of the management and 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 the IT governance and controls supporting the company's IT services.

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

Based on the results of 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. Also, there were a number of long outstanding audit findings as at year end. Management have committed to remediating these outstanding audit findings as quickly as practically possible.

6. Integrated reporting

The committee considered the following:

- The annual financial statements for fair presentation with the relevant requirements of the PFMA, 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

The committee considered the following:

- Internal audit charter;
- Annual audit plan including the alignment of the audit plan with the company's key risks;
- Internal audit reports;
- Management action plans 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 focussed 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 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

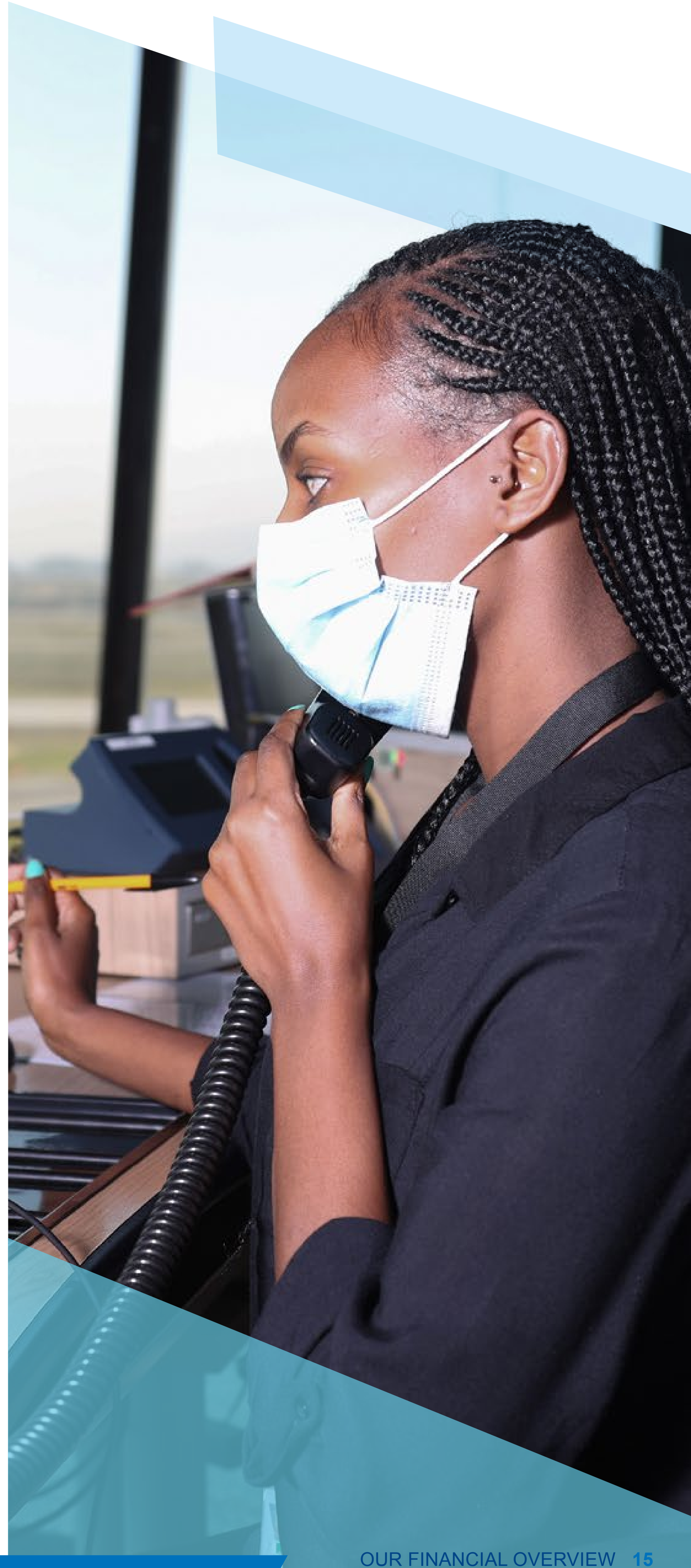
The COVID-19 pandemic has materially impacted the company's operations, resulting in a significant decrease in revenue, profitability and cash flows. The committee satisfied itself that adequate allowance has been made for expected credit losses and other impairments at year-end.

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.

On behalf of the Audit and Risk Committee

Suleman Badat
Chairman Audit and Risk Committee
31 July 2021



"Despite the bleak operating context, our focus at ATNS remained on the factors within our control: 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 transformation agenda."

Matome Moholola
Chief Financial Officer

CHIEF FINANCIAL OFFICER'S OVERVIEW

Managing the controllables and building for the future

Dear stakeholders

Our annual financial statements, together with our integrated report, reflect our business and financial performance from 1 April 2020 until 31 March 2021. The global coronavirus pandemic first impacted South Africa and our business in March 2020 and continued for the full year in review.

All aspects of the global aviation sector have been seriously and adversely affected by the socio-economic consequences of the COVID-19 pandemic. During the 2020 calendar year, air traffic movements in most regions of the world declined by more than 80%, with an overall reduction of air passengers (both international and domestic) ranging from 52% to 59% in 2020 compared with 2019.

The global effect of the pandemic is best captured by the contraction in world gross domestic product in 2020: negative 3.3%, being far worse than during the 2008 and 2009 financial crisis. Looking closer to home, South Africa's gross domestic product for the year contracted to negative 7% in 2020 with the hospitality and travel sectors being the hardest hit. While COVID-19 contributed to the disappointing South African GDP growth, it also served to exacerbate an already-dismal outlook with lacklustre levels of economic activity across sectors, rising fuel and electricity charges, worsening debt levels, rolling blackouts, low investor confidence and constrained household consumption.

Although vaccination programmes are being rolled out across continents, subsequent waves of the virus, including new variants, are creating ongoing international uncertainty and anxiety. What appears to be clear is that large-scale quarantines, travel restrictions and changed travel protocols are expected to persist throughout the 2021 calendar year resulting in a slow uptick in consumer and business spending.

Strategy review outcomes

Taking account of the South African macroeconomics, as well as the broader impacts of the COVID-19 pandemic, we had cause to further reflect on our 2025 strategy, which was approved by our Board in December 2019 and then adjusted in both April 2020 and again August 2020. To ensure a robust review process, the Executive Committee together with the Board, supported by our strategy and finance teams, applied a range of assessment models and frameworks before concluding on the required strategy execution adjustments to be implemented. At the same time, we considered how best to prioritise and phase in our various strategic initiatives while taking account of our budget constraints and the disappointing economic outlook. Details of these can be found in our integrated report.

Our prioritised strategic initiatives were further informed by the Board and management's collective assessment of what the so-called 'new normal' will entail for ATNS and for the aviation sector. This led us to identify five prioritised initiatives to focus on in the year under review as well as in our 2022 financial year. As a consequence, our annual operation plan, annual performance plan and corporate plan were adjusted to respond to the five focus areas:

- Safety and efficiency:
- Financial sustainability:
- Capex and Opex reprioritisation:
- Business modernisation, technology and innovation:
- People and culture.

OUR FINANCIAL PERFORMANCE

During the year under review, total revenue decreased by 67% to R547 million (FY20: R1 673 million). The significant decline in revenue is largely attributed to the impact of the COVID-19 global pandemic on the aviation sector globally, including strict lockdown protocols implemented by the South African government in the first six months of our 2021 financial year.

As a result of the consequences of the pandemic, accentuated by an already-ailing South African economy, we reviewed our budget and instituted cost containment measures. As a result, operating costs were reduced by 30% to R1 101 million (FY20: R1 569 million).

Capital expenditure for the fiscal year was slightly higher at R155 million (FY20: R149 million), mainly due to infrastructure charges to refurbish our world-class training academy.

Despite the challenging operating environment, our balance sheet remains sound with a liquidity ratio of 3.3:1 (FY20: 5.6:1) and gearing at 4.25% (FY20: 3.4%).

The return of capital employed (ROCE) was -26%, with the regulated ROCE at -55.5%. 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 decreased by 393% to (R567) million (FY20: R115 million), directly attributed to the impact of the COVID-19 pandemic on air traffic movements. Accordingly, ATNS's cash reserves deteriorated significantly to R830 million (FY20: R1.6 billion), exacerbated by the worsening credit profile of our major customers and fewer air traffic movements.

Against the backdrop of a tough macro-environment and given ongoing global uncertainty regarding the timelines for a full economic recovery, no dividends were declared or paid to our shareholder, the Minister of Transport, during the year (FY20: R nil).

Going concern status

Globally, the aviation sector has been hard hit by the impact of the COVID-19 pandemic, including the ongoing restrictions placed on local and international travel and the poor global economic outlook for the remainder of the 2021 calendar year.

As ATNS's revenue is directly linked to the number of air traffic movements, the company recorded extremely low tariff revenues during FY21, which did not enable us to cover our full operating costs for the year under review.

Our current 2017 permission to levy charges is expected to remain in effect for a full five-year period. The Board and management team have considered the impact of tariff increases determined five years ago as well as the further consequences of the COVID-19 pandemic on the company's status as a going concern. However, having assessed the following factors, the Executive Committee is of the view that ATNS remains a going concern:

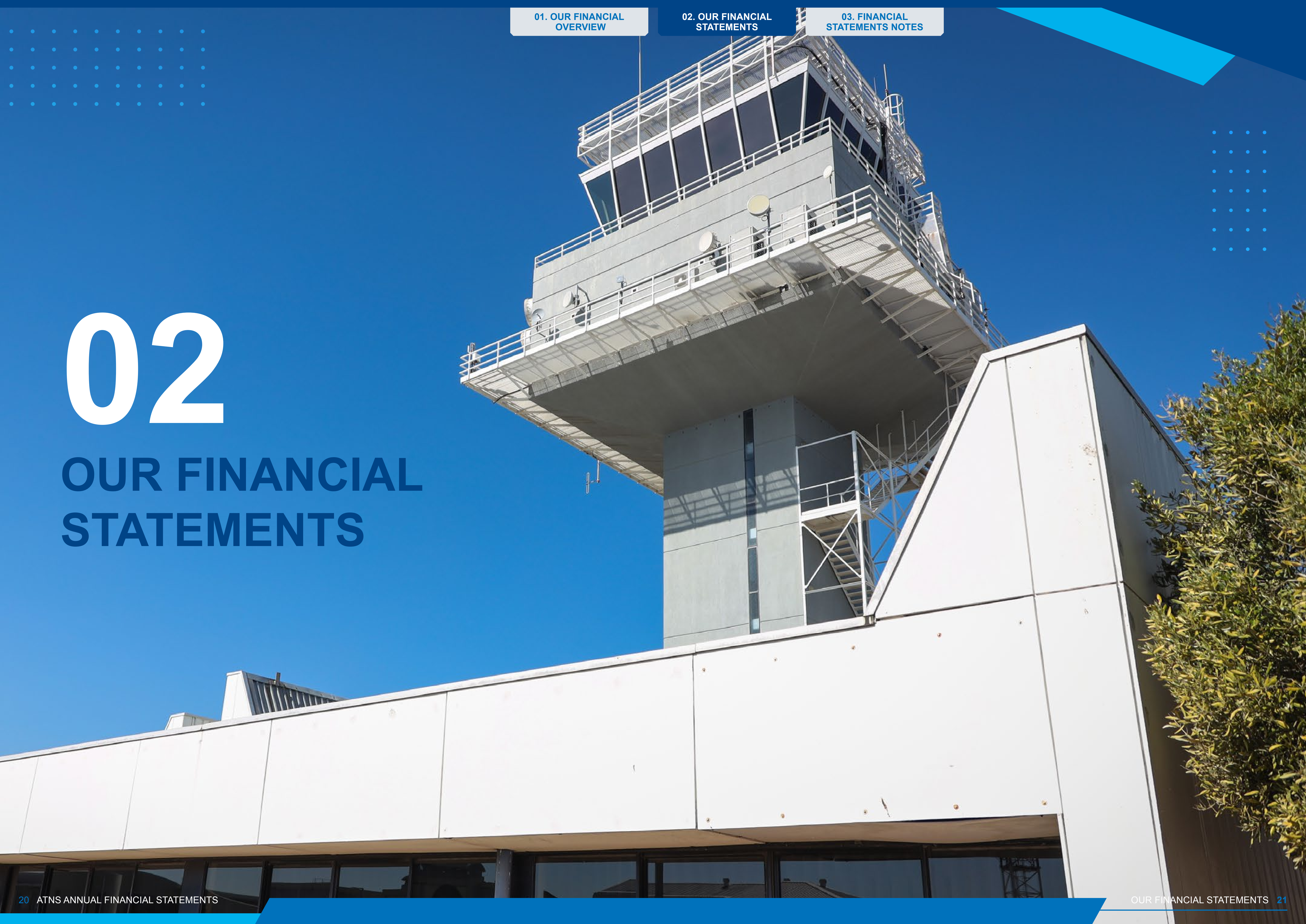
- ATNS's ability to raise a borrowing facility;
- Monitoring of cash flow and liquidity requirements on a regular basis, using rolling forecasts, with cash reserves at the end of the reporting period being R830 million (FY20: R1.6 billion);
- Reprioritisation and deferral of certain capital expenditure; and
- An ongoing review of operating costs with clear cost-containment measures in place.

Our appreciation

On behalf of the finance team, I would like to extend my personal gratitude to the Minister of Transport, the Deputy Minister of Transport and their advisors, my fellow Board members and to my colleagues on the Executive Committee for their ongoing counsel, guidance and support. Your inputs and deliberations are crucial during these times of uncertainty and challenge, as we forge ahead to preserve value in the immediate term and look to limit value erosion over the short term.

While the year ahead may continue to be difficult for many, I wish all of our stakeholders and my finance team strength and good health.

Matome Moholola
Chief Financial Officer
31 July 2021



02
OUR FINANCIAL STATEMENTS

Our Company Secretary

Ms Lindelwa Mngomezulu is our Company Secretary. The Board, in accordance with the Companies Act (No. 71 of 2008) appointed her into the role, effective 1 January 2020. She reports to the Chief Executive Officer. Ms Mngomezulu is not a director. The role and responsibilities of the Company Secretary are described in the Board charter.

Having considered her competence, qualifications and experience at its meeting held on 18 September 2020, the Board is satisfied that she is competent and has the appropriate qualifications and experience to serve as the Company Secretary. Ms Mngomezulu has over 15 years' experience in corporate governance, legal and compliance for large South African companies. Prior to joining ATNS, Ms Mngomezulu was Company Secretary of various Woolworths Holdings Limited subsidiary companies and before that she served as Company Secretary of various Sasol Limited subsidiary companies. Ms Mngomezulu is an admitted attorney and holds LLB and LLM (Corporate Law) degrees.

The Board considered the interactions between the Company Secretary and the Board during the past financial year, and is satisfied that there is an arm's length relationship between the Board and the Company Secretary.

Lindelwa Mngomezulu
Company Secretary

CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as the 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 2021, 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.

Lindelwa Mngomezulu
Company Secretary
31 July 2021

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 judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board 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 2022 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 26 to 32.

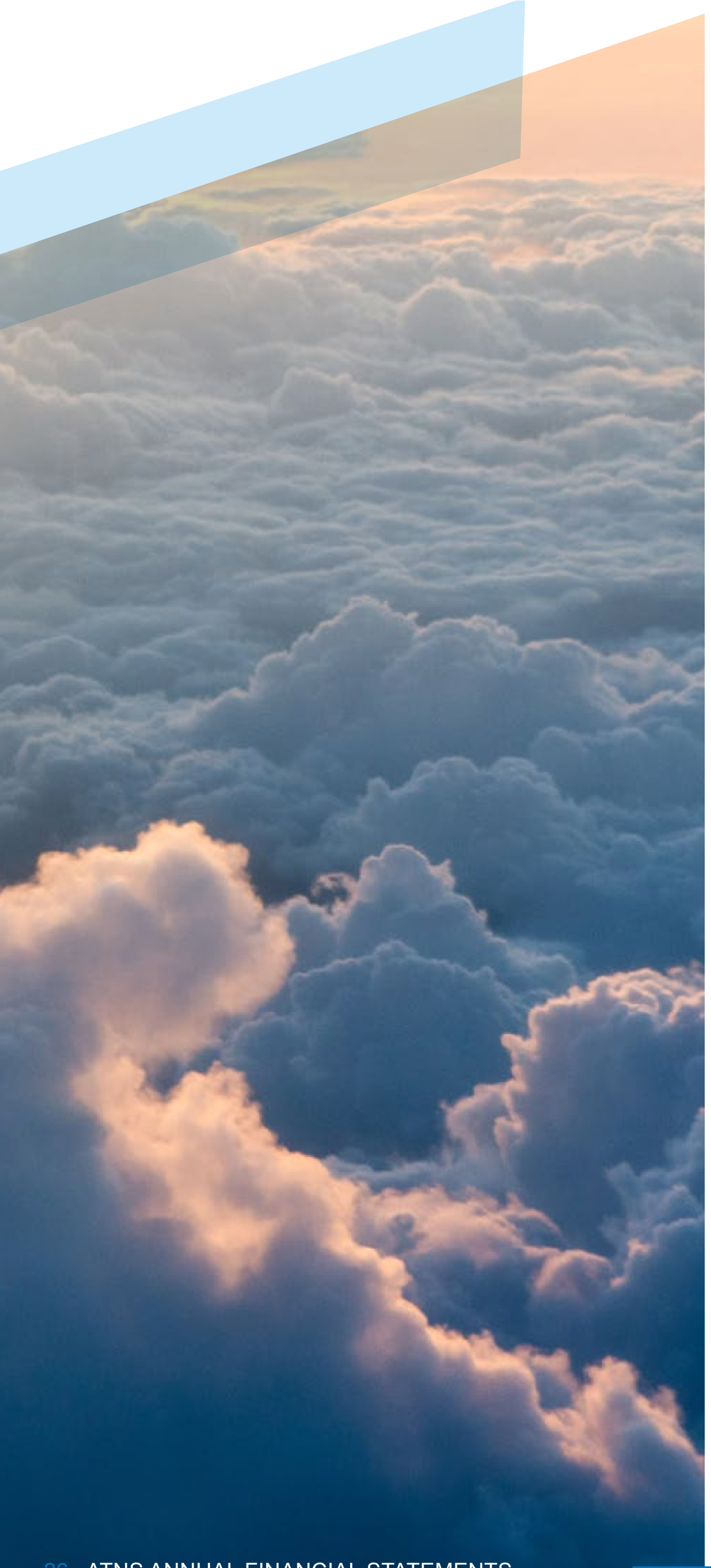
The financial statements set out on pages 33 to 99, which have been prepared on the going concern basis, were approved by the Board of directors on 31 July 2021.

Signed on behalf of the Board of directors by:

Simphiwe Thobela
Chairperson and non-executive director
31 July 2021

Suleman Badat
Non-executive director
31 July 2021

Independent Auditor's report to Parliament and the Shareholder on Air Traffic and Navigation Services 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 SOC Limited set out on pages 33 to 36, which comprise the statement of financial position as at 31 March 2021, 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 the Air Traffic and Navigation Services SOC Limited as at 31 March 2021, 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) 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 the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.
4. We are independent of the company in accordance with Independent Regulatory Board for Auditors' Code of Professional Conduct for 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.

Key matters

6. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How the matter was addressed in the audit
Going concern	
• As disclosed in note 34 of the financial statements, the aviation industry has been hard hit by the resultant travel bans and the poor global economic outlook. Severe restrictions have been placed on local and global travel. This has resulted in less aircraft movements in the country. As revenue is linked to movements, the entity has experienced significantly low tariff revenue which did not cover its full operating costs for the year under review. • Furthermore, the current permission (to levy charges) is expected to remain in effect for a full five-year period, thus, unlike in prior years, the entity will implement tariffs set 5 years ago. Given the time lapse and the impact of COVID-19, these tariffs pose a threat to the entity's going concern. • As a result revenue from contracts with customers disclosed in note 3, declined by 67% to R547,44 million in the current year compared to R1,67 billion in the previous year. • Furthermore, the cash balances disclosed in note 20, declined by 48% to R830,37 million in the current year compared to R1,60 billion in the previous year. • Due to the significant decline in key ratios and the judgment applied by the entity, the assessment of the entity's ability to continue as a going concern was considered a key audit matter.	• Our audit procedures included the following: • We evaluated the processes used by management to assess the entity's ability to continue as a going concern and discussed the assumptions applied by management. • We challenged management's assumptions used to support the cash flow forecasts made. • We assessed the entity's performance and liquidity ratios. • We enquired and corroborated the entity's plans and efforts to obtain additional funding to support the working capital needs of the entity. • We evaluated and assessed whether the assumptions are reasonable, achievable and consistent with our knowledge of the external and/ or internal environment and other matters identified during the audit. • We tested the reliability and relevance of data used. • We draw attention to note 34 to the consolidated and separate financial statements, which discloses the company's ability to continue as a going concern; however, no material uncertainty exists. Our audit opinion is not modified in respect of this matter.

Emphasis of matters

Events after reporting date

7. We draw attention to the matters below. Our opinion is not modified in respect of these matters.
8. As disclosed in note 33 of the financial statements, management have initiated a process to implement section 189 of the Labour Relations Act and are in negotiations to secure funding for the capital program. Although this event is significant, it does not have an impact on the current financial year reporting.

Material write off of trade and other receivables

9. As disclosed in note 17 to the financial statements, bad debts amounting to R136,4m (2020: R3,1m) were written off during the period under audit.

Responsibilities of accounting authority for the financial statements

10. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa 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.
11. 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 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

12. 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.
13. 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

14. In accordance with the Public Audit Act 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.
15. 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.
16. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the company's annual performance report for the year ended 31 March 2021:

Objective	Pages in the annual performance report
2. Ensure safety and efficiency of operations	132 - 133

17. We performed procedures to determine whether the reported performance information was consistent with he 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.
18. We did not identify any material findings on the usefulness and reliability of the reported performance information for this objective.

Report on the audit of compliance with legislation

Introduction and scope

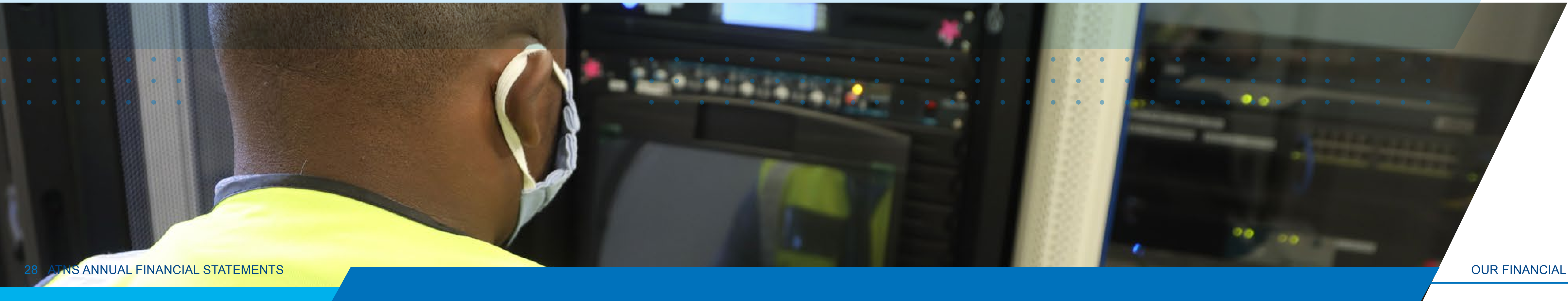
19. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the company's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.
20. The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

Annual financial statements

21. 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.
22. Material misstatements of taxation identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R9,65 million disclosed in note 35 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure incurred was caused by non- compliance with laws and regulations governing procurement and contract management.



24. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R0,3m, 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 committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that have been specifically reported in this auditor's report.

26. Our opinion on the financial statements and our 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 objective presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

30. 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.

31. Management did not ensure adequate processing and reconciling controls which resulted in instances of material adjustments of the taxation disclosed in the financial statements submitted for audit.

Other reports

32. 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

33. Internal audit is investigating fraud allegations pertaining an inflated invoice submitted by a supplier for payment to ATNS. The matter was reported on 10 February 2020. At the date of this report, the investigation is ongoing.

34. A matter regarding allegations of misconduct was referred to the Chairperson of the Audit and Risk Committee. The matter was reported on 22 June 2020. The matter was referred to the board which commissioned a preliminary investigation. Based on the outcome of the preliminary investigation, there were no allegations of fraud or corruption or that required the attention of the Shareholder.

35. Safety standards and regulations manager is investigating a matter relating to an Air Traffic Controller that operated with an expired licence. The matter was reported on 10 February 2021. At the date of this report, the matter was still ongoing as management remedial actions were outstanding.

36. Internal audit and Legal Counsel are assessing and investigating allegations of fraud and corruption relating to an SCM official who allegedly solicited compensation in order to facilitate the awarding of a tender to a potential service provider. The matter was reported on 15 February 2021. At the date of this report, the assessment and investigation are ongoing.

Auditor tenure

37. In terms of the IRBA rule published in Government gazette number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Air Traffic and Navigation Services SOC Limited for three years.

NexiaSAB&T

Nexia SAB&T
C. Chigora
Registered Auditor
31 July 2021

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 objective and on the company's compliance with respect to the selected subject matters.

Financial statements

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

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of directors, which constitutes the accounting authority.

- Conclude on the appropriateness of the 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, which may cast significant doubt on the ability of the Air Traffic and Navigation Services SOC Limited 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.

Statement of financial position for the year ended 31 March 2021

	Notes	FY21	FY20
Assets			
Non-current assets			
Property, plant and equipment	12	1,035,003,257	995,830,426
Right-of-use assets	13	77,106,958	91,358,534
Intangible assets	14	119,592,002	84,058,666
Deferred tax	22	148,135,660	-
Capital work in progress	15	324,996,324	365,805,603
Prepayments	16	1,078,338	84,386
		1,705,912,539	**1,537,137,615**
Current assets			
Trade and other receivables	17	113,074,213	150,216,011
Loans and receivables	18	16,876,774	20,108,347
Prepayments	16	18,719,247	16,375,359
Current tax receivable	19	11,092,248	10,866,557
Cash and cash equivalents	20	830,370,712	1,601,786,955
		990,133,194	**1,799,353,229**
Total assets		**2,696,045,733**	**3,336,490,844**
Equity and liabilities			
Equity			
Share capital	21	190,646,000	190,646,000
Retained income		2,130,049,918	2,708,278,390
		2,320,695,918	**2,898,924,390**
Liabilities			
Non-current liabilities			
Lease liabilities	13	77,539,297	84,844,704
Deferred tax	22	-	29,137,351
		77,539,297	**113,982,055**
Current liabilities			
Trade and other payables	23	264,233,437	213,046,759
Lease liabilities	13	10,990,400	12,846,409
Contract liabilities	25	4,195,389	8,143,262
Provisions	26	18,391,292	89,547,969
		297,810,518	**323,584,399**
Total liabilities		**375,349,815**	**437,566,454**
Total equity and liabilities		**2,696,045,733**	**3,336,490,844**

Statement of profit or loss and other comprehensive income for the year ended 31 March 2021

	Notes	FY21	FY20
Revenue	3	547,439,448	1,673,405,977
Other income	4	4,231,846	9,594,718
Other operating (loss)/gain	5	(71,577,218)	64,693,176
Credit loss allowances	6	(16,211,685)	(165,573,708)
Depreciation costs on property, plant and equipment	12	(129,007,150)	(129,603,926)
Impairment loss	12	(2,965,001)	(13,270,522)
Depreciation costs on right of use assets	13	(17,595,233)	(16,576,091)
Amortisation on intangible assets	14	(19,338,847)	(11,103,798)
Staff costs	7	(826,300,797)	(1,011,987,676)
Other operating expenses	8	(258,290,740)	(391,558,583)
Operating (loss) profit		**(789,615,377)**	**8,019,567**
Finance income	9	43,420,817	95,942,908
Finance costs	10	(9,306,923)	(9,292,708)
(Loss) profit before taxation		**(755,501,483)**	**94,669,767**
Taxation	11	177,273,011	(27,371,649)
(Loss) profit for the year		**(578,228,472)**	**67,298,118**
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		**(578,228,472)**	**67,298,118**

Statement of changes in equity for the year ended 31 March 2021

	Share capital	Retained income	Total equity
Balance at April 1, 2019	190,646,000	2,640,980,272	2,831,626,272
Profit for the year	-	67,298,118	67,298,118
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**67,298,118**	**67,298,118**
Balance at April 1, 2020	**190,646,000**	**2,708,278,390**	**2,898,924,390**
Loss for the year	-	(578,228,472)	(578,228,472)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**-**	**(578,228,472)**	**(578,228,472)**
Balance at March 31, 2021	**190,646,000**	**2,130,049,918**	**2,320,695,918**
Note	21		

Statement of cash flows for the year ended 31 March 2021

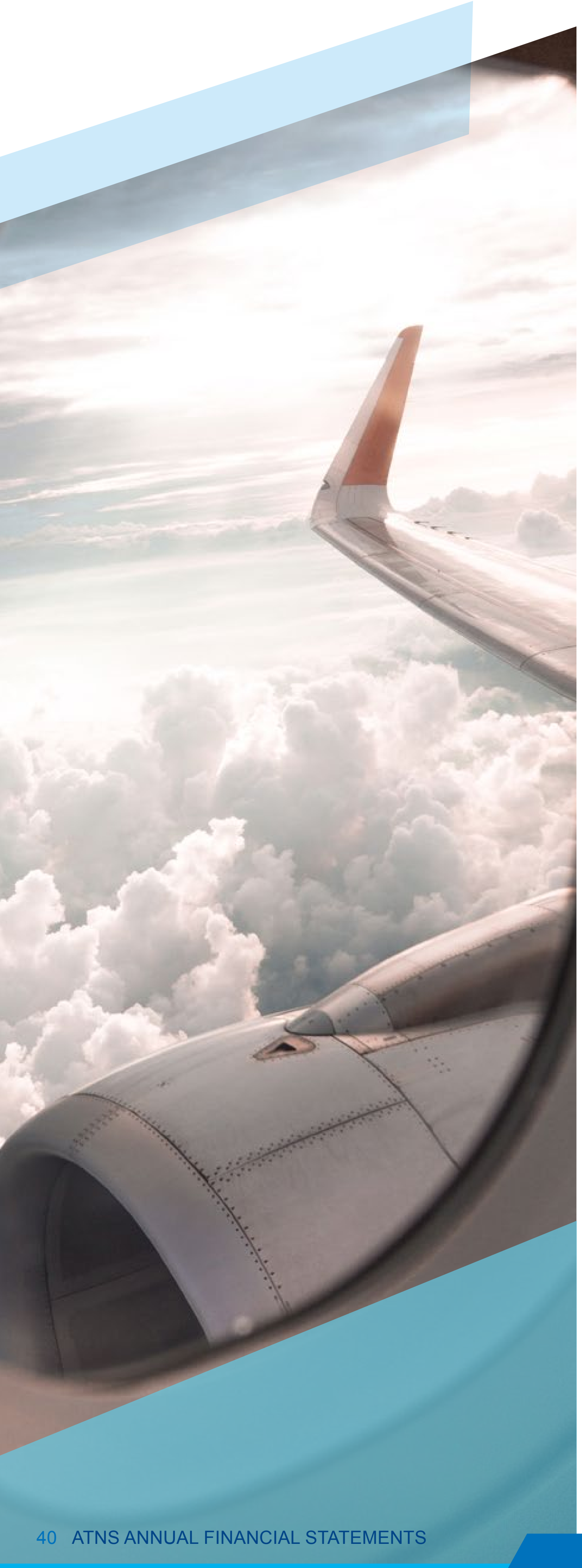
	Notes	FY21	FY20
Cash flows from operating activities			
Cash receipts from customers		588,628,72	1,674,817,271
Cash paid to suppliers and employees		(1,155,703,804)	(1,559,891,649
Cash (used in)/generated from operations	27	(567,075,076)	114,925,622
Finance income	9	43,420,817	95,942,908
Finance costs	10	(9,306,923)	(9,292,708)
Tax paid	19	(225,691)	(40,997,703)
Cash from operating activities		**(533,186,873)**	**160,578,119**
Cash flows from investing activities			
Cash payments to acquire property, plant and equipment		(154,580,253)	(149,227,124)
Cash receipts from sales of property, plant and equipment		117,354	276,073
Prepayments		(993,952)	260,693
Cash from investing activities		**(155,456,851)**	**(148,690,358)**
Cash flows from financing activities			
Repayment of lease liabilities		(12,447,367)	(9,047,499)
Net cash from financing activities		**(12,447,367)**	**(9,047,499)**
Total cash movement for the year		**(701,091,091)**	**2,840,262**
Cash at the beginning of the year		1,601,786,955	1,520,495,995
Effect of exchange rate movement on cash balances		(70,325,152)	78,450,698
Total cash at end of the year	**20**	**830,370,712**	**1,601,786,955**

03

FINANCIAL STATEMENTS NOTES

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

The financial statements of the company for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Board of directors on 31 July 2021.



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 and statement of compliance

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

Statement of compliance

The financial statements of ATNS have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act of South Africa and the Public Finance Management Act (PFMA) of South Africa.

1.2 Property, plant and equipment

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

Property, plant and equipment is 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. All other repairs and maintenance are charged to the statement of profit and loss during the financial period in which they are incurred.

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

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

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. Regular major inspections of certain items of property, plant and equipment are a prerequisite for the continuing use of the equipment.

As such, these inspection costs are capitalised in the carrying amount of the property, plant and equipment (to the extent that the recognition criteria are satisfied) as a replacement. These inspection costs are depreciated over the period remaining before the next compulsory major inspection. The useful lives of items of property, plant and equipment have been assessed as follows:

PROPERTY, PLANT AND EQUIPMENT

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
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
Infrastructure	Straight line	5-15 years
Tools and test equipment	Straight line	8-20 years

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

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

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

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.

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. The useful life of items of intangible assets has been assessed as follows:

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

Financial liabilities: Amortised cost.

Financial instruments and risk management **(note 32)** presents the financial instruments held by the company based on their specific classifications.

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

Loans receivable at amortised cost

Classification

Loans to the entity **(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 loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

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

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

Impairment

The company recognises a loss allowance for expected credit losses on all loans 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 loans.

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 a loan has not increased significantly since initial recognition, then the loss allowance for that loan 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 a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan 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 a loan 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 and prepayments, are classified as financial assets subsequently measured at amortised cost **(note 17).**

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 losses **(note 5).**

Details of foreign currency risk exposure and the management thereof are provided under financial instruments and risk management **(note 32).**

Impairment

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

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (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 17.**

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

Write off policy

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

Credit risk

Details of credit risk are included in the trade and other receivables note **(note 17)** and the financial instruments and risk management note **(note 32).**

Trade and other payables

Trade and other payables **(note 23),** excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to **note 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 losses **(note 5).**

Details of foreign currency risk exposure and the management thereof are provided in the trade and other payables **(note 23).**

Cash and cash equivalents

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

Derecognition

Financial assets

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

Financial liabilities

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

1.7 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 that 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.

1.8 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.

To apply this definition, the company assesses whether the contract meets three key evaluations:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company.
- The company has the right to obtain, substantially, all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The company has the right to direct the use of the identified asset throughout the period of use.

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. 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:** right of use asset.

Low-value assets includes cell phones, watercoolers, tablets, telephones and small items of office furniture.

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 related payments are recognised as an expense in the period incurred and are included in operating expenses **(note 13).**

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).**

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- 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.

For right-of-use assets that are depreciated over their useful lives, the useful lives are presented in the following table:

RIGHT-OF-USE ASSETS

Item	Depreciation method	Average useful life
Buildings	Straight line	2 to 8 years
Communication equipment	Straight line	2 to 4 years
Motor vehicles	Straight line	5 years
Office furniture and equipment	Straight line	2 to 5 years
Infrastructure	Straight line	2 to 9 years
Computer equipment	Straight line	3 to 7 years
Navigational aids	Straight line	2 to 10 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. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

1.9 Share capital and equity

Ordinary shares are classified as equity.

1.10 Retirement benefit costs

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

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

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical 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.

Defined contribution plans

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

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

1.12 Provisions and contingencies

Provisions are recognised when:

- The company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in **note 25.**

1.13 Revenue from contracts with customers

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

- En-route, aerodromes and approach fees;
- Very Small Aperture Terminal (VSAT) networks;
- Small aerodromes fees;
- Technical maintenance;
- Aviation training fees;
- Extended hours services;
- Rental fees;
- Sundry revenue
- Weather services administration; and
- North East African Indian Ocean (NAFISAT).

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

- Identifying the contract with a customer;
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

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

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

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

The carrying amount of the trade and other receivables are 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.

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 the service rendered is based on the payment history of the customer, ongoing credit valuation, bank guarantees and security deposit held by the company.

The promised services are mainly the provision of Air Traffic Management (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 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 receivable once the company has satisfied the performance obligations.

Very Small Aperture Terminal (VSAT) networks fees

The company operates VSAT networks satellite communication system to address communication deficiencies in the North East African Indian Ocean (NAFISAT) and Southern African Development community (SADC VSAT II).

The company has contracts with the individual member states as well as 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 Ddata communication and voice over internet protocol;
- Computer-to-computer data exchange between ATS flights data processing system;
- Operational meteorological data exchanges; and
- Aeronautical administrative support.

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

Small aerodromes fees

The company supplies air traffic management in a form of aerodromes services to privately owned airports around the Republic of South Africa. Each contract is assessed for probability of the customer paying for the service delivered. The services 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 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 include 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. Revenue is recognised over time. The transaction price allocated to these services is recognised as a receivable once the company satisfies the performance obligations.

Aviation training fees

The company offers aviation training courses to both local and overseas customers. Before the commencement of the course, both the company and the customer sign the training proposal (contract).

Customers are required to pay for the cost of the various courses offered by the entity before the commencement of the course and, on completion of the course, the student will graduate and is offered a certificate recognised in the aviation industry.

The probability of the customer paying is high because of advance payment. The performance obligations are:

- Venue;
- Course instructor;
- Course material;
- Qualification/certificate; and
- 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 respect of unsatisfied training services, similarly, if the company has offered the training before it receives the consideration, the entity recognises a receivable 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 and issues customers with invoices on behalf of South African Weather Services and receives a commission for services rendered. The ability of South African Weather Services paying for the commission amount is high because they are financially sound. The promised services to be rendered to and on behalf of South African Weather Services, among others, includes provision of air traffic volume statistics, providing 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, 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 are recognised as a receivable once the company satisfies the performance obligations.

Sundry revenue

Sundry revenue is mainly made up of commission received for services rendered on behalf of third parties as well as other aeronautical services offered by the company. The performance obligations are mainly billing and collections, as well as issuing invoices and statements to customers on behalf of third parties as well as providing monthly statistics. 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.

Rentals

The company rents out office spaces, beacons/squitters and billboard advertisement to customers and each contract is assessed for probability of the customer paying for the services. The performance obligation includes the availability of space and navigation aids devices. The consideration charged for these services by the 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.

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 is recognised as a receivable once the company satisfies the performance obligations.

North East African Indian Ocean (NAFISAT) network fees

The company operates 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 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; and
- Aeronautical administrative support.

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

The price charged for network usage by the company is a fixed consideration for each gateway utilised. Revenue from air traffic management services is recognised over time as the services are rendered. The transaction price allocated to VSAT networks services are recognised as a receivables once the company has satisfied 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 the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items, that are measured in terms of historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction; 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.

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. 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.

PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

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, which have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities in the next financial year are listed below.

Provisions

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

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

- Public entity listed in Schedule 2 to the PFMA applying International Financial Reporting Standards (IFRS), to incur irregular expenditure, the non-compliance must be linked to a financial transaction. Although a transaction may trigger irregular expenditure, the public entity will only record irregular expenditure when a transaction is recognised as expenditure in the Statement of Financial Performance in accordance with IFRS.
- The accounting authority must ensure that only confirmed irregular expenditure is disclosed in the main note to the annual financial statements. Irregular expenditure not confirmed or in the process of determination or investigation must be disclosed in the sub-note to the annual financial statements related to irregular expenditure.
- All debts incurred from losses emanating from the incurrence of irregular expenditure shall be interest bearing at the uniform interest rate prescribed in terms of section 80(1)(b) of the PFMA and shall be calculated using the simple interest method.
- Provision is made for the accounting 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.

2. New or revised standards or interpretations

2.1 New standards adopted as at 1 April 2020

Some of the accounting pronouncements, which became effective 01 April 2020 and have therefore been adopted, do not have significant impact on the company's financial results.

2.2 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.

2.2.1 Property, plant and equipment: proceeds before intended use (amendment to IAS 16)

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PPE), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment must be applied retrospectively only to items of PPE made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Effective for annual periods beginning on or after 1 April 2022, the adoption of this amendment will not be expected to have a material impact on the results of the company.

2.2.2 Classification of liabilities as current or non-current (amendments to IAS 1)

The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That the classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

If an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period, if it complies with those conditions that existed at the end of the reporting period. The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short term does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

	FY21	FY20
Revenue	547,439,448	1,673,405,977

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

	FY21	FY20
Revenue		
Aerodrome, en-route and approach fees	428,240,455	1,462,924,091
Small aerodrome	51,179,694	55,026,885
Very Small Aperture Terminal (VSAT II) network fees	17,871,596	51,729,652
North East African Indian Ocean (NAFISAT) network fees	28,195,086	51,547,226
Training to third parties	1,410,664	20,800,366
Aeronautical information services	2,533,199	5,595,574
Technical maintenance	8,552,052	13,910,997
Sundry revenue	8,237,209	8,788,378
Extended hours	146,900	1,963,037
Weather services administration	1,072,593	1,119,771
	547,439,448	**1,673,405,977**

Included in 'sundry revenue' is commission received for services rendered on behalf of third parties as well as other aeronautical services offered by the company.

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 that are unsatisfied or partially unsatisfied at the reporting date are presented below. All unsatisfied performance obligations are expected to be completed within one year to four years from the reporting date.

TRANSACTION PRICE ALLOCATION

	FY21	FY20
Aeronautical information services	4,396,595	6,395,752
Training to third parties	4,195,389	8,143,262
	8,591,984	**14,539,014**

4. Other income

	FY21	FY20
Bad debts recovered	71,739	974,468
Compensation from insurance claims	-	1,621,654
Sundry income	4,160,107	6,249,424
Discount received	-	749,172
	4,231,846	**9,594,718**

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) discretionary funds for providing internships to unemployed graduates.

5. Other operating losses

	FY21	FY20
Losses on disposals		
Property, plant and equipment	(1,252,066)	(13,757,522)
Foreign exchange gains/(losses)		
Net foreign exchange (losses)/gains	(70,325,152)	78,450,698
Total other operating gains/(losses)	**(71,577,218)**	**64,693,176**

6. Credit loss allowances

	FY21	FY20
Trade and other receivables	16,211,685	165,573,708

The credit loss allowance decreased in the current year mainly due to bad debt write-offs.

7. Staff costs

	FY21	FY20
Employee costs		
Salaries, wages and other related costs	812,850,033	812,784,580
Incentive bonus	(81,500,000)	81,276,346
Rewards and recognition	34,584	3,756,630
Training and development	4,434,018	8,407,244
Early childhood learning benefit	378,537	13,762,749
Bursar costs	354,485	434,128
Recruitment costs	2,238,743	1,688,505
Relocation costs	1,360,122	4,253,456
Pensions costs - defined contribution scheme	83,800,275	82,789,389
Long service awards	2,350,000	2,834,649
	826,300,797	**1,011,987,676**

8. Other operating expenses

	FY21	FY20
Administration expenses	4,819,090	10,462,136
Computer software	16,994,368	30,395,614
Network management fees	-	18,280,406
Directors' fees	7,447,762	8,067,181
Board development fees	286,707	-
IT equipment repairs	22,331,399	7,393,408
Subscriptions	2,626,017	3,618,938
External audit fees	1,840,610	1,618,083
Internal audit	805,153	2,453,210
Fees for audit services	669,530	2,195,785
Fees for other services	135,623	257,425
Insurance	12,535,834	10,882,191
Contract services	8,555,578	27,597,367
Marketing expenses	7,328,196	26,467,846
Motor vehicle expenses	1,536,044	2,113,870
Municipal expenses, rates and taxes	22,187,408	22,089,113
Leases of low value assets	2,785,679	3,861,403
Short term leases	569,863	11,426,866
Professional fees	10,894,378	17,435,477
Legal fees	7,651,656	5,843,346
Repairs and maintenance	55,191,982	65,271,736
COVID-19 intervention supplies	6,799,490	-
Security	8,646,217	8,574,357
Telecommunication expenses	51,866,032	48,974,357
Travel expenses	4,591,277	58,731,679
	258,290,740	**391,558,583**

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

'Network management fees' relate to a surplus share with a joint network service provider and the balance is nil in the current year mainly due to losses incurred in the VSAT and NAFISAT networks.

"Contract services mainly consist of Aviation Training Academy (ATA) training contract courses that were not offered in the current year due to the impact of COVID-19."

9. Finance income

	FY21	FY20
Investments in financial assets:		
Bank and other cash	30,678,121	83,596,832
Trade and other receivables	12,478,092	11,250,246
Other financial assets	264,604	1,095,830
Total interest income	**43,420,817**	**95,942,908**

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

10. Finance costs

	FY21	FY20
Lease liability	9,005,437	9,124,218
Other interest paid	301,486	168,490
Total finance costs	**9,306,923**	**9,292,708**

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

PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

11. Taxation

	FY21	FY20
Major components of the tax expense (income)		
Current		
Current income tax charge	-	56,962,680
Deferred		
Current year	(208,328,935)	(27,960,930)
Prior year under provision	31,055,924	(1,131,053)
Operating leases	-	(499,048)
	(177,273,011)	**(29,591,031)**
	(177,273,011)	**27,371,649**
Movement on deferred tax		
Property, plant and equipment	(40,044,433)	(478,965)
Prepayments	88,086	1,747,472
Right of use assets	4,179,170	25,580,389
Lease liability	(2,780,965)	(27,353,512)
Provisions	(53,399,868)	(47,976,874)
Finance lease obligation	-	(1,234,123)
Deferred income	(6,026,057)	(403,526)
Operating leases	-	499,058
Impairment of trade receivables allowance	13,462,513	20,873,296
Donation tax	70,000	-
Section 24C - income received in advance	4,901,377	(348,758)
Section 7B - variable remuneration	(495,488)	(495,488)
Assessed loss	257,318,676	-
	177,273,011	**(29,591,031)**
Effective tax rate		
Reconciliation of the tax expense (between the applicable tax rate and average effective tax rate)		
Applicable tax rate	28.00 %	28.00 %
Impairment expenses	- %	1.63 %
Operating leases	- %	(0.53)%
Depreciation: leasehold improvements	(0.18)%	- %
Fruitless and wasteful expenditure	(0.01)%	0.05 %
Depreciation: buildings	(0.23)%	0.96 %
Prior year deferred tax over-provision	(0.01)%	(1.19)%
	27.57 %	**28.92 %**

12. Property, plant and equipment

	FY21			FY20		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	12,891,088	-	12,891,088	12,891,088	-	12,891,088
Buildings	230,585,643	(88,677,569)	141,908,074	230,585,643	(82,492,523)	148,093,120
Communication equipment	377,361,023	(137,345,993)	240,015,030	302,904,384	(101,963,785)	200,940,599
Office furniture and equipment	35,716,157	(17,552,304)	18,163,853	28,776,892	(16,201,046)	12,575,846
Motor vehicles	1,027,159	(912,344)	114,815	1,027,159	(855,735)	171,424
Electrical and mechanical equipment	123,687,916	(69,754,478)	53,933,438	119,585,854	(62,825,403)	56,760,451
Computer equipment	207,557,679	(156,812,060)	50,745,619	229,889,184	(151,248,908)	78,640,276
Navigation aids	132,794,593	(74,186,923)	58,607,670	93,743,091	(71,779,203)	21,963,888
Tools and test equipment	11,601,502	(4,734,704)	6,866,798	11,473,553	(4,017,172)	7,456,381
Infrastructure	3,290,558	(1,574,573)	1,715,985	3,290,558	(1,314,246)	1,976,312
ATC display system	198,758,022	(92,070,258)	106,687,764	196,982,386	(80,819,222)	116,163,164
Simulator equipment	19,936,301	(14,698,388)	5,237,913	20,031,291	(13,630,628)	6,400,663
Radar equipment	531,639,604	(270,481,170)	261,158,434	537,332,284	(237,399,446)	299,932,838
Leasehold improvements	141,029,918	(64,073,142)	76,956,776	89,426,295	(57,561,919)	31,864,376
Total	**2,027,877,163**	**(992,873,906)**	**1,035,003,257**	**1,877,939,662**	**(882,109,236)**	**995,830,426**

12. Property, plant and equipment (Cont.)

Reconciliation of property, plant and equipment - FY21

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

Reconciliation of property, plant and equipment - FY20

	Opening balance	Additions	Projects capitalised	Classified as held for sale	Reclassification to right-of-use assets	Depreciation	Impairment loss	Write off	Total
Land	13,060,088	-	-	-	-	-	-	(169,000)	12,891,088
Buildings	148,235,021	-	6,163,267	(473,159)	-	(5,831,985)	-	(24)	148,093,120
Leasehold improvements	25,865,434	724,498	13,661,115	(2,424,266)	-	(5,911,527)	(12,488)	(38,390)	31,864,376
Communication equipment	222,690,569	-	7,658,912	(3,158,800)	-	(21,954,022)	(3,187,749)	(1,108,311)	200,940,599
Office furniture and equipment	11,914,058	1,664,491	774,938	1,340,165	-	(2,800,053)	(53,083)	(264,670)	12,575,846
Motor vehicles	9,362,173	39,801	-	-	(9,173,737)	(56,813)	-	-	171,424
Electrical and mechanical equipment	34,761,207	2,055,103	23,069,866	5,974,819	-	(7,023,929)	(1,186,517)	(890,098)	56,760,451
Computer equipment	88,579,534	4,034,354	40,794	16,885,690	-	(27,128,757)	(2,517,804)	(1,253,535)	78,640,276
Navigation aids	26,671,971	-	944,036	(2,519,523)	-	(2,332,482)	(482,702)	(317,412)	21,963,888
Tools and test equipment	9,554,757	237,089	5,662	(903,882)	-	(669,810)	(47,512)	(719,923)	7,456,381
Infrastructure	2,237,229	-	-	-	-	(260,917)	-	-	1,976,312
ATC display system	139,536,950	26,776	3,371,432	(7,778,410)	-	(12,946,483)	(4,808,233)	(1,238,868)	116,163,164
Simulator equipment	10,724,215	-	-	(1,246,184)	-	(1,695,102)	(73,031)	(1,309,235)	6,400,663
Radar equipment	341,702,889	-	6,654,715	(5,696,450)	-	(40,992,046)	(901,403)	(834,867)	299,932,838
	1,084,896,095	**8,782,112**	**62,344,737**	**-**	**(9,173,737)**	**(129,603,926)**	**(13,270,522)**	**(8,144,333)**	**995,830,426**

Property, plant and equipment encumbered as security

During the year under review, the company had no assets pledged as security. Also, there were no assets where title was restricted. 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 land range between19 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.

LEASES

	FY21	FY20
Carrying amounts of right-of-use assets The carrying amounts of right-of-use assets are as follows:		
Buildings	57,814,271	65,638,551
Infrastructure	801,991	1,284,683
Office furniture and equipment	-	2,779,938
Motor vehicles	2,827,479	6,137,665
Computer equipment	1,770,058	-
Navigational Aids	7,470,915	7,867,339
Radar sensors	2,080,895	1,874,745
Communication equipment	4,341,349	5,775,613
	77,106,958	**91,358,534**

ADDITIONS TO RIGHT-OF-USE ASSETS

	FY21	FY20
Buildings	945,714	73,999,542
Infrastructure	177,613	1,857,573
Office furniture and equipment	-	3,792,798
Motor vehicles	353,681	9,148,186
Navigational aids	751,728	8,751,748
Radar sensors	-	2,103,164
Adjustment for lease reassessments	(474,342)	-
Communication equipment	1,589,263	8,281,614
	3,343,657	**107,934,625**

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.

	FY21	FY20
Buildings	8,769,994	8,360,991
Infrastructure	623,628	572,890
Office furniture and equipment	-	1,012,860
Motor vehicles	3,053,521	3,010,521
Computer equipment	1,009,881	-
Navigational aids	1,076,383	884,408
Radar sensors	228,348	228,419
Communication equipment	2,833,478	2,506,002
	17,595,233	**16,576,091**

OTHER DISCLOSURES

	FY21	FY20
Interest expense on lease liabilities	9,005,437	9,124,218
Expenses on short term leases included in operating expenses	569,863	11,426,866
Leases of low value assets included in operating expenses	2,785,679	3,861,403

LEASE LIABILITIES

	FY21	FY20
Within one year	18,531,238	21,953,223
Two to five years	67,184,870	82,249,626
More than five years	38,709,319	37,665,956
	124,425,427	**141,868,805**
Less finance charges component	(35,895,730)	(44,177,692)
	88,529,697	**97,691,113**
Non-current liabilities	77,539,297	84,844,704
Current liabilities	10,990,400	12,846,409
	88,529,697	**97,691,113**

Future cash outflows not reflected in lease liabilities.

Exposure to liquidity risk: refer to note 32 ‘Financial instruments and risk management’ for the details of liquidity risk exposure and management.

Lease payments not recognised as a liability

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. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

Total cash outflow for leases for the year ended 31 March 2021 was R19,056,198 (2020: R17,627,739)

At 31 March 2021, the company was committed to short-term leases and the total commitments at that date were R348,069 (2020: R1,676,486)

14. Intangible assets

	FY21			FY20		
Computer software	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
	251,003,543	(131,411,541)	119,592,002	202,475,022	(118,416,356)	84,058,666

	Reconciliation of intangible assets - FY21						
Computer software	Opening balance	Additions	Projects capitalised	Disposals	Amortisation	Write off	Total
	84,058,666	6,995,652	48,142,887	(266,316)	(19,338,847)	(40)	119,592,002

	Reconciliation of intangible assets - FY20		
Computer software	Opening balance	Amortisation	Total
	95,162,464	(11,103,798)	84,058,666

Pledge 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. The balance of the computer software is externally generated.

	Research and development	
Research and development expenditure expensed during the year	Amortisation	Total
	4,347,088	798,013

15. Capital work in progress

	FY21	FY20
Opening carrying value	365,805,603	318,900,521
Additions	140,812,455	136,924,068
Adjustments	32,054,745	(24,936,770)
Write off	(84,322)	(5,337,116)
Project support activities	1,682,505	3,520,945
Transferred to property, plant, equipment and intangible	(215,274,662)	(63,266,045)
Closing carrying value	**324,996,324**	**365,805,603**

The adjustment is mainly a combination of the Period of Beneficial Use (PBU) provisions and capital expenditure accruals in the implementation of the engineering or technology solutions.
The write off relates to items incorrectly capitalised and subsequently transferred to profit and loss.

The balance consists of the following categories of property, plant and equipment and intangible assets:

	FY21	FY20
Radar equipment	74,989,951	41,910,664
Communication equipment	61,958,962	109,001,877
Navigation aids	79,769,687	60,663,109
Leasehold improvements	-	23,402,361
Electrical and mechanical equipment	11,477,766	8,564,094
Software	5,183,500	14,519,446
ATC display system	1,049,716	-
Buildings	86,490,317	82,338,009
Computer equipment	4,076,425	3,959,113
Other	-	21,446,930
	324,996,324	**365,805,603**

‘Other’ is mainly made up of general assets, WIP accruals and consultants’ services.

16. Prepayments

NON-CURRENT PREPAYMENTS

	FY21	FY20
Non-current prepayments	1,078,338	84,386

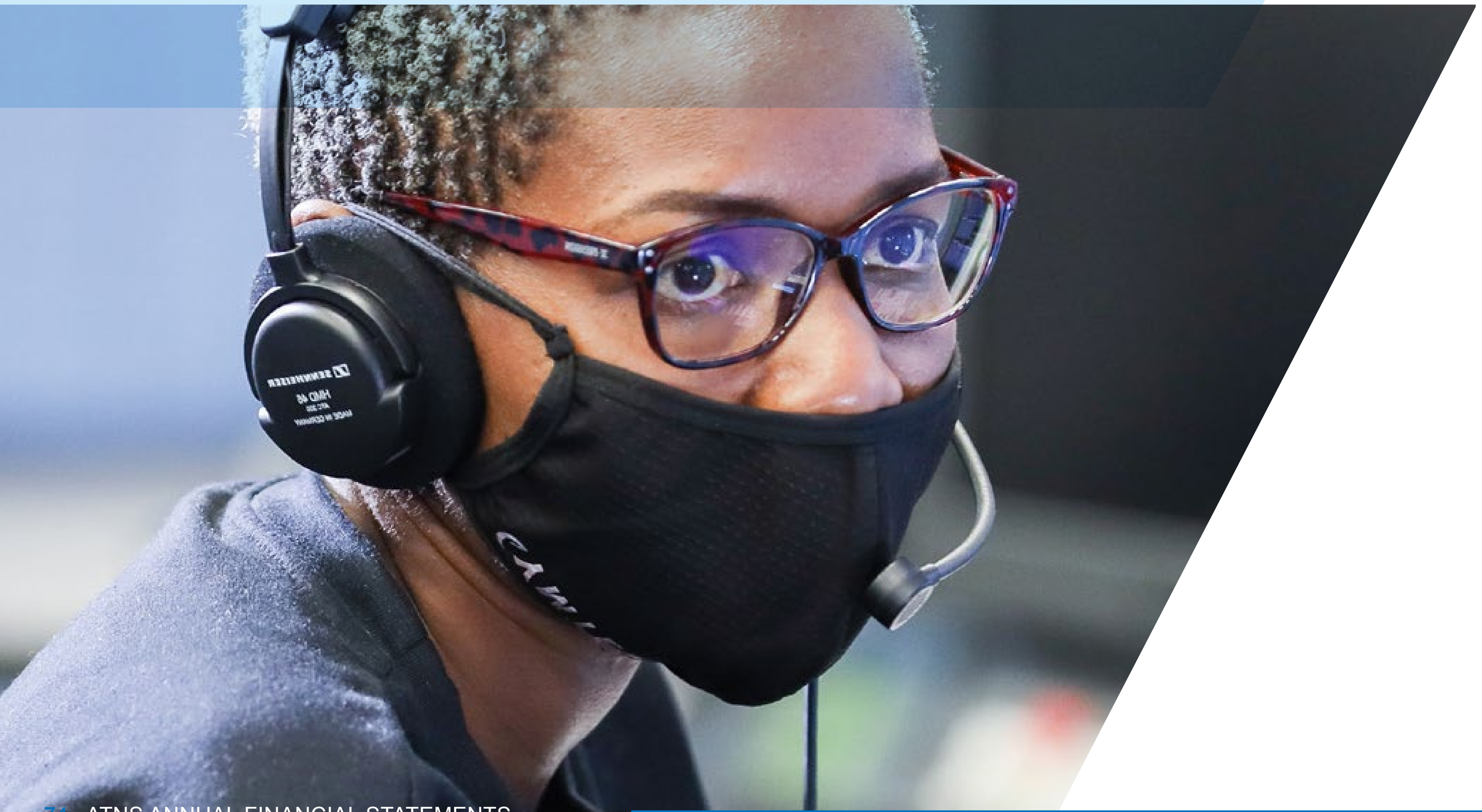
Included in long term prepayments are maintenance, licenses, and other operating expenses paid in advance. The company expects to receive credits for the related expenditure in the 2023-2024 financial year.

CURRENT PREPAYMENTS

	FY21	FY20
Current prepayments	18,719,247	16,375,359

Included in 'prepayments' are rental expenses and other operating expenses paid in advance. The company expects to receive credits for the related expenditure in the 2021-2022 financial year.

The carrying value of prepayments approximates their fair value.



17. Trade and other receivables

TRADE AND OTHER RECEIVABLES

	FY21	FY20
Financial instruments:		
Trade receivables	189,384,776	368,654,781
Less: allowance for expected credit loss	(105,977,253)	(226,178,289)
Trade receivables - net	83,407,523	142,476,492
Other receivable	6,603,265	7,739,519
Non-financial instruments:		
VAT	23,063,425	-
Total trade and other receivables	**113,074,213**	**150,216,011**

Trade receivables generally have 30 day 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 receivable' includes, in the main, late payment interest from the bank as well as sundry debtors, and indications are that, at year-end, other receivables are not impaired.

CATEGORISATION OF TRADE AND OTHER RECEIVABLES

	FY21	FY20
At amortised cost	90,010,788	150,216,011
Non-financial instruments	23,063,425	-
	113,074,213	**150,216,011**

Trade and other receivables pledged as security

During the year under review, there were no 'trade and other receivables pledged as security'.

Exposure to credit risk

The aviation industry is essential to South Africa's socio-economic development. During the year under review, the industry was faced with many challenges such as key airlines going into business rescue and/or being liquidated, exacerbated by the impact of the COVID-19 global pandemic, with most airlines operating at reduced capacity due to lockdown restrictions.

These events impacted the company's cash flow negatively, resulting in a significant increase in credit risk.

When evaluating the credit risk, the company considered deposits of R12.8 million (2020: R11.3 million) held on behalf of customers, as well as bank guarantees of R57 million (2020: R122 million) from customers in the name of the company. The quality of the bank guarantees on the credit risk are high and are receivable on demand by the company should the customer default on their account. During the year under review, there has been no significant change in the quality of the bank guarantees and security deposits due to deterioration. 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 24). When the customer ceases to trade and settles the outstanding debt, the company is obliged to return the deposit to the customer. Should the customer default, the company may utilise the related deposit in settlement of the debt.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been reviewed and developed in the current year by making use of the company credit management policy, history experience of past default debtors and also incorporates forward-looking information as a result of the COVID-19 global pandemic.

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

1. Forward-looking expected credit loss (ECL) model:
   1.1 With the written-off historic debt, the analysis of the forward-looking information indicates that the credit risk will be low, leading to improved provision matrix.
2. The company also analysed the payment patterns for the past 12 months.
3. The company analysed the total amount of sales that were made during the past 12 months.
4. The cash flow forecast for the month of April 2021 was considered.
5. A broader range of information considered – historic and current information such as the following indicators:
   a. Withholding of services (grounding).
   b. Business rescue proceedings.
   c. Liquidity factors.
   d. Extended payment terms granted to the customer.
   e. Defaults on extended payment terms.
   f. Final notice to withhold services sent to the customer.

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

a. The ATNS Credit Policy guides the treatment of defaulting debtors;
b. Regular credit evaluations are performed on the financial position of defaulting customers;
c. Security deposits and bank guarantees for top clients and new operators.

The loss allowance provision is determined as follows:

LOSS ALLOWANCE PROVISION

	FY21			FY20		
	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	78,560,041	12,005,366	15%	125,367,582	33,085,035	26%
Past due by 30 days	15,573,389	4,352,583	28%	114,281,379	64,943,931	57%
Past due by 31 to 60 days	8,771,783	3,139,740	36%	25,468,293	24,581,740	97%
Past due by more than 60 days	4,289,122	4,289,122	100%	10,591,510	10,557,915	100%
91 - 120 days past due	82,190,441	82,190,442	100%	93,230,675	93,009,668	100%
Total	**189,384,776**	**105,977,253**		**368,939,439**	**226,178,289**	

The provision matrix under past due by 31 days to 60 days decreased to 36% (2021: 97%) due to the following considerations:

1. Improved collection ratio.
2. Improved debtors' days sales outstanding (DSO).
3. Write off of historic debt.

Reconciliation of loss allowances

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

	FY21	FY20
Opening balance	**(226,178,289)**	**(63,695,467)**
Provision raised on new trade receivables	(16,278,162)	(165,573,710)
Bad debts write off	136,479,198	3,090,886
Closing balance	**(105,977,253)**	**(226,178,291)**

Exposure to currency risk

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

Fair value

All amounts are short term. The carrying value of trade and other receivables is considered a reasonable approximation of fair value. The carrying amount of trade and other receivables are 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 31 for related party information.

18. Loans and receivables

	FY21	FY20
Risk financing insurance policy*	16,876,774	20,108,347
Current assets		
Loans and receivables	16,876,774	20,108,347

*The insurance policy is not a cell captive asset

Nature of the policy

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

Collateral held

The instruments are unsecured and, therefore, no collateral is held.

Pledged as security

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

19. Tax paid

	FY21	FY20
Balance at beginning of the year	10,866,557	26,831,534
Current tax for the year recognised in profit or loss	-	(56,962,680)
Balance at end of the year	(11,092,248)	(10,866,557)
	(225,691)	**(40,997,703)**

20. Cash and cash equivalents

	FY21	FY20
Bank balances - US dollar denominated	320,998,134	388,912,196
Bank balances	70,355,336	77,840,442
Short-term deposits	438,841,063	1,134,892,593
Other cash and cash equivalents	176,179	141,724
	830,370,712	**1,601,786,955**

Pledged as security

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

Exposure to currency risk

Refer to note 32: 'Financial instruments and financial risk management' for details of currency risk management for cash and cash equivalents.

21. Share capital

	FY21	FY20
Authorised		
500 million ordinary shares	500,000,000	500,000,000
Issued		
190 646 000 ordinary shares	190,646,000	190,646,000
Reconciliation of number of shares issued:	**Number of ordinary shares**	**Rand value of shares**
Reported as at 1 April 2018	190,646,000	190,646,000
New issue	-	-
Reported as at 31 March 2019	190,646,000	190,646,000
New issue	-	-
Reported as at 31 March 2020	190,646,000	190,646,000
New issue	-	-
Outstanding shares at 31 March 2021	**190,646,000**	**190,646,000**

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.

22. Deferred tax

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

	FY21	FY20
At beginning of the year	(29,137,351)	(58,728,392)
Recognised in statement of profit and loss and other comprehensive income	177,273,011	29,591,041
Total deferred tax asset/(liability) closing balance	**148,135,660**	**(29,137,351)**
Deferred income tax asset/(liability) relates to the following:		
Property, plant and equipment	(142,109,419)	(102,064,986)
Right of use assets	(21,401,219)	(25,580,389)
Lease liability	24,572,547	27,353,512
Provisions	44,526,043	97,925,911
Loss allowance on trade receivables	(11,869,456)	(25,331,968)
Section 24C - income received in advance	(12,187,777)	(17,089,154)
Deferred income	12,211,271	18,237,328
Prepayments	(2,995,006)	(3,083,093)
Section 7B - variable remuneration	-	495,488
Assessed loss	257,318,676	-
Donations	70,000	-
	148,135,660	**(29,137,351)**

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

23. Trade and other payables

	FY21	FY20
Financial instruments:		
Trade payables	65,815,100	47,548,692
DOT meosar project	39,416,295	51,990,054
Accrued expenses	82,116,987	48,575,079
Leave pay accrual	51,371,464	39,538,166
Deposits received	12,754,873	12,404,025
Other payables	12,758,718	10,510,202
Non-financial instruments:		
VAT payable	-	2,480,541
	264,233,437	**213,046,759**

Fair value of trade and other payables

All trade and other payables are due within 30 days.

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

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

The carrying values of trade payables are considered to be a reasonable approximation of fair value as the financial liabilities are expected to be settled within a year.

Refer to note 31 for related party information.

Exposure to currency risk

Refer to note 32: 'Financial instruments and financial risk management' for details of currency risk management for trade payables.

24. Commitments

AUTHORISED CAPITAL AND OPERATIONAL EXPENDITURE

	FY21	FY20
Already contracted for but not provided for		
Property, plant, equipment and intangible assets	538,519,030	549,844,375
Operational expenditure	167,121,696	132,625,252

25. Contract liabilities

	FY21	FY20
Summary of contract liabilities		
Training to third parties	4,195,389	8,143,262
Reconciliation of contract liabilities		
Opening balance	8,143,262	10,118,260
Revenue recognised on delivery of services previously paid for	(3,659,506)	(13,827,403)
Payments received in advance of delivery of performance obligations	776,092	12,845,301
Other movements	(1,064,459)	(992,896)
Closing balance	**4,195,389**	**8,143,262**
Split between non-current and current portions		
Current liabilities	4,195,389	8,143,262

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.

Other movements, in the main, consist of client refunds for training, which were cancelled due to the impact of the COVID-19 global pandemic.

26. Provisions

Reconciliation of provisions - FY21	Opening balance	Additions	Utilised during the year	Reversed 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**

Reconciliation of provisions - FY20	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	77,380,000	81,500,000	(77,156,346)	(223,654)	81,500,000
Capital expenditure projects	17,846,371	3,136,162	(13,500,362)	-	7,482,171
Provision for credit notes	-	565,798	-	-	565,798
	95,226,371	**85,201,960**	**(90,656,708)**	**(223,654)**	**89,547,969**

(a) Performance bonus

The 'performance bonus' provision is calculated based on the performance of the company as well as the individual performance ratings. During the year under review, no incentive bonuses were paid due to the company not meeting its targets and the performance bonus provision from 2020 has therefore been reversed. For the financial year 2021, no performance bonus was provided for due to operation losses impacting the company's performance.

(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.

27. Cash generated from operations

	FY21	FY20
Loss before taxation	(755,501,483)	94,669,767
Adjustments for:		
Depreciation and amortisation	165,941,229	157,283,811
Losses on disposals and scrappings of assets	1,252,066	13,757,522
Net foreign exchange difference	70,325,152	(78,450,698)
Interest income	(43,420,817)	(95,942,908)
Finance costs	9,306,923	9,292,708
Movements in provisions	(71,156,690)	(5,678,399)
Impairment loss	2,965,001	13,270,522
Work in progress accruals	(32,054,745)	24,936,760
Changes of loans receivables	3,231,573	(3,455,759)
Increase in prepayments	(2,343,888)	(17,997)
Changes in working capital:		
Decrease in Trade and other receivables	37,141,798	49,297,100
Increase/ (Decrease) trade and other payables	51,186,678	(62,061,809)
Contract liabilities	(3,947,873)	(1,974,998)
	(567,075,076)	**114,925,622**

The entity currently does not have a borrowing facility for future operating activities.
The company's total capital commitments for the year under review was R538 million (2020: R550 million).

28. Guarantees and contingent liabilities

The entity entered into an agreement with Department of Transport (DOT) as an implementing agent for the provision of a 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 agreed in 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 R2.8 million (2020: R2 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 3 years.

The ATNS retirement fund was established on 1 April 1994. The fund has been exempted from valuation, with effect from 10 April 2012, and will from that date be subjected to quarterly assessments. The fund applied for valuation exemption with effect from 1 February 2021 up to 31 January 2024 and the Registrar approved the application on 8 December 2020.

The latest actuarial assessment of the ATNS Retirement Fund was at 31January 2014. At that time, the ATNS retirement fund was certified by the reporting actuaries to be in a sound financial position. The company contributions to the ATNS Retirement Fund amounted to R84 million (2020: R83 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

30.1 Relationships

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 and, therefore, falls within the national sphere of government.

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

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

30.2 Year-end balances arising from related party activity

	FY21	FY20
Amounts included in trade receivable regarding related parties		
Airports Company of South Africa	6,774,862	2,709,300
South African Airways	690,329	52,224,128
South African Express	123,945	69,891,944
Tulca (Pty) Ltd Mango Airlines	52,762,805	44,709,493
City of Tshwane	3,082,432	1,056,702
North West Province	3,399,742	3,034,978
Related parties		
Msunduzi Municipality	1,280,061	1,150,308
Ethekwini Municipality	962,971	2,373,056
Gateway Airports Authority Limited	4,125,466	1,949,483
Department of Roads & Transport - Eastern Cape	3,238,584	2,520,620
Other	434,970	817,765
Amounts included in trade payables regarding related parties		
Airports Company of South Africa	1,298,059	2,193,404
Eskom Holdings (SOC) Ltd	5,071	598,031
South African Civil Aviation Authority	24,190	39,530
Telkom SA (SOC) Ltd	177,575	2,279,958
Department of Transport	39,416,295	52,160,000
Other	82,101	4,576

	FY21	FY20
Related party transactions		
Revenue of services to related parties		
Airports Company of South Africa	13,783,085	16,278,999
North West Province	10,153,954	10,633,812
South African Civil Aviation Authority	-	4,480,749
South African Air Force Capital	1,412	865,549
South African Airways	3,370,722	256,031,767
South African Express	-	42,832,937
Tulca (Pty) Ltd Mango Airlines	48,098,997	191,770,364
South African Weather Services	1,265,882	1,386,473
City Council of Tshwane	12,180,512	12,176,605
Department of Roads and Transport - Eastern Cape	5,679,467	5,291,918
Gateway Airport Authority Limited	4,460,203	5,842,828
Msunduzi Municipality	4,162,378	3,923,412
Ethekwini Municipality	3,965,951	3,794,854
Other	431,622	554,170
Purchases from related parties		
Airports Company of South Africa	11,095,531	19,369,226
Eskom Holdings (SOC) Ltd	8,340,339	11,889,231
South African Civil Aviation Authority	16,099,744	10,068,167
Telkom SA (SOC) Ltd	22,897,309	29,651,119
Sentech (SOC) Ltd	2,686,860	2,570,454
Other	2,462,364	2,606,715

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.

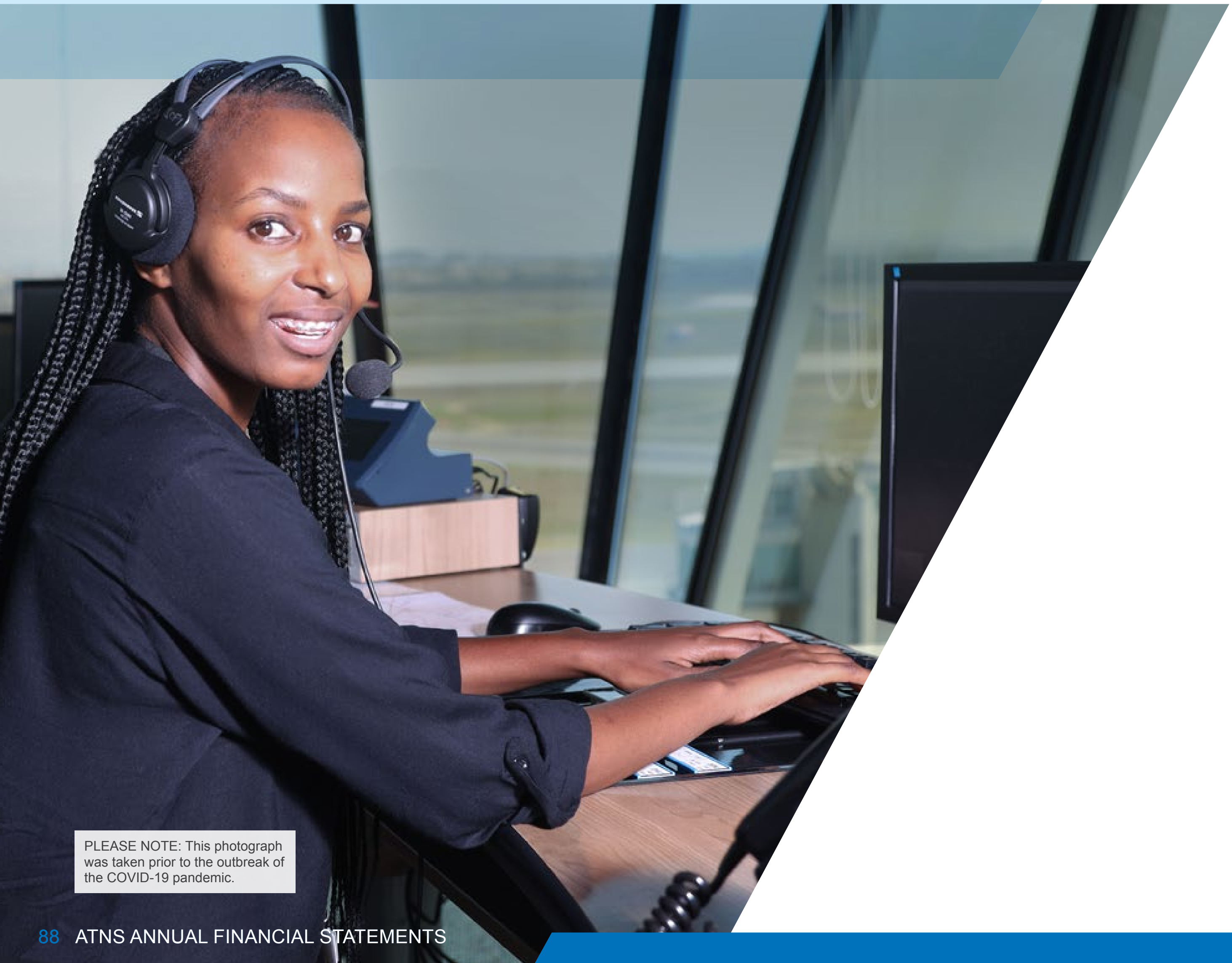
'Other' is made up of various amounts due by or to the entity by other Government agencies and their balances in isolation are immaterial.

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. The contract of the Chief Executive Officer also deals with compensation if the Chief Executive Officer is dismissed or if there is material change in the role, responsibilities or remuneration.

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



PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

EXECUTIVES

FY21

	Basic salary	Employer contributions to pension/ medical fund/ etc.	Total
D.H Sangweni	2,633,935	253,439	2,887,374
S. Malinga	2,767,065	405,851	3,172,916
J.M Moholola	2,522,519	247,500	2,770,019
L. Mahamba	1,759,097	269,570	2,028,667
L. Mngomezulu	1,550,847	152,100	1,702,947
P.T Mdebuka	1,821,035	200,563	2,021,598
H.J Marais (Resigned 31 May 2020)	545,105	58,799	603,904
T.V Ndou	2,069,024	212,262	2,281,286
H.V Sebona	2,134,759	229,663	2,364,422
L. Ngcwabe	1,770,728	193,916	1,964,644
T.C Myeza	2,425,235	251,921	2,677,156
J.Z Matshoba	2,385,682	333,987	2,719,669
M.M Maqashelana	1,727,009	215,657	1,942,666
R.M Madlala	1,881,508	184,827	2,066,335
	27,993,548	**3,210,055**	**31,203,603**

FY20

	Emoluments	Incentive bonus	Sign on bonus	Total
T. Kgokolo	4,693,517	539,750	-	5,233,267
D.H Sangweni	2,581,374	427,103	-	3,008,477
S. Malinga	3,252,971	565,900	-	3,818,871
J.M Moholola	2,596,144	367,278	-	2,963,422
L. Mahamba	2,034,265	402,468	-	2,436,733
T.V Ndou	2,322,120	481,859	-	2,803,979
L. Mngomezulu	447,194	-	-	447,194
H.V Sebona	658,777	-	339,202	997,979
T. Myeza	2,786,059	544,668	-	3,330,727
L. Ngcwabe	2,003,663	-	-	2,003,663
J. Matshoba	2,453,983	384,263	-	2,838,246
M. Maqashelana	2,018,599	298,117	-	2,316,716
P.T Mdebuka	2,128,585	356,522	-	2,485,107
H.J Marais	2,322,604	365,044	-	2,687,648
Z.P.M Boshielo (Resigned 20 May 2019)	571,559	-	-	571,559
S. Mngomezulu (Resigned 18 April 2019)	672,338	-	-	672,338
C.J Thomas (Resigned 31 August 2019)	957,508	184,553	-	1,142,061
	34,501,260	**4,917,525**	**339,202**	**39,757,987**

NON-EXECUTIVE DIRECTORS

FY21

	Directors' fees	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**

FY20

	Directors' fees	Total
S. Thobela	1,385,789	1,385,789
S. Badat	942,683	942,683
K.N Vundla	775,035	775,035
K.S Boqwana	994,691	994,691
Z.G Myeza	805,139	805,139
N.L.J Ngema	899,423	899,423
M. Khubeka	749,359	749,359
C.R Burger	750,685	750,685
J.C Trembath	764,377	764,377
	8,067,181	**8,067,181**

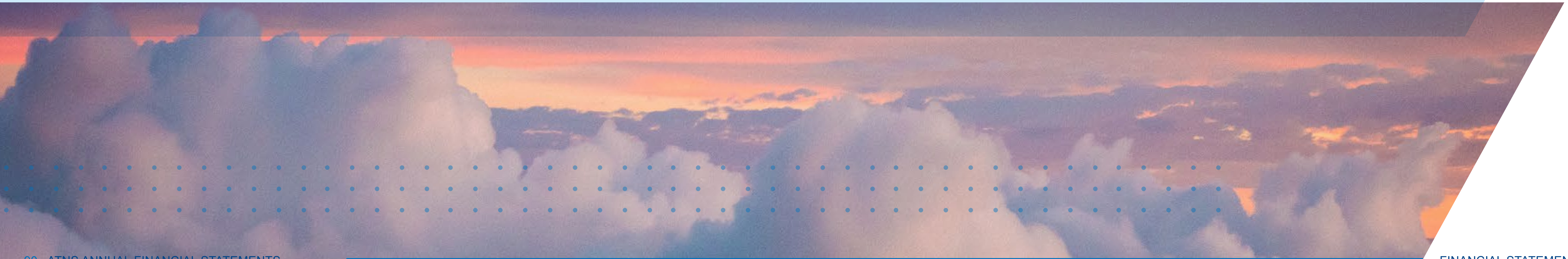
PRESCRIBED OFFICERS

FY21

	Basic salary	Employer contributions to pension/medical fund/ etc.	Total
J.M Manyakoana	1,939,686	239,827	2,179,513
C.H.B Gersbach	1,440,319	290,960	1,731,279
S.W. Nkabinde	1,511,327	187,237	1,698,564
K. Sebopa	1,351,228	199,153	1,550,381
N.M Phakathi	1,344,231	161,354	1,505,585
V.L Mofolo	1,244,306	197,998	1,442,304
L.T. Ndelu	1,048,670	173,283	1,221,953
H. Reid (Resigned 30 September 2020)	1,052,506	135,974	1,188,480
	10,932,273	**1,585,786**	**12,518,059**

FY20

	Emoluments	Incentive bonus	Total
J.M Manyakoana	2,074,817	303,455	2,378,272
S.W Nkabinde	1,772,067	157,522	1,929,589
C.H Gersbach	1,728,729	216,997	1,945,726
R Madlala	1,862,929	337,708	2,200,637
H Reid	2,019,342	287,678	2,307,020
K. Sebopa	1,521,991	173,946	1,695,937
N. Phakathi	1,632,075	243,799	1,875,874
L.T Ndelu	1,204,185	138,081	1,342,266
V.L Mofolo	1,297,876	-	1,297,876
	15,114,011	**1,859,186**	**16,973,197**



32. Financial instruments and risk management

CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of financial assets

FY21	Note(s)	Amortised cost	Total
Trade and other receivables	17	113,074,213	113,074,213
Loans and receivables	18	16,876,774	16,876,774
Cash and cash equivalents	20	830,370,712	830,370,712
		960,321,699	**960,321,699**
FY20	Note(s)	Amortised cost	Total
Trade and other receivables	17	150,216,011	150,216,011
Loans and receivables		20,108,347	20,108,347
Cash and cash equivalents	20	1,601,786,955	1,601,786,955
		1,772,111,313	**1,772,111,313**

CATEGORIES OF FINANCIAL LIABILITIES

Categories of financial assets

FY21	Note(s)	Amortised cost	Leases	Total
Trade and other payables	23	264,233,437	-	264,233,437
Lease liabilities		-	88,529,697	88,529,697
		264,233,437	**88,529,697**	**352,763,134**
FY20	Note(s)	Amortised cost	Leases	Total
Trade and other payables	23	213,046,759	-	213,046,759
Lease liabilities		-	8,347,087	8,347,087
		213,046,759	**8,347,087**	**221,393,846**

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 loans receivable (at amortised cost), trade and other receivables, cash and cash equivalents.

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

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.

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

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

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

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

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

MAXIMUM EXPOSURE TO CREDIT RISK

		FY21			FY20		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Amortised	Credit loss allowance
Trade and other receivables	17	195,988,041	(105,977,253)	90,010,788	376,394,300	(226,178,289)	150,216,011
Loans and receivables	18	16,876,774	-	16,876,774	20,108,347	-	20,108,347
Cash and cash equivalents	20	830,370,712	-	830,370,712	1,601,786,955	-	1,601,786,955
		1,043,235,527	**(105,977,253)**	**937,258,274**	**1,998,289,602**	**(226,178,289)**	**1,772,111,313**

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

Liquidity risk

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

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

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 has 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.

FY21	Notes	Carrying amount
Non-current liabilities		
Finance lease liabilities		77,539,297
Current liabilities		
Trade and other payables		264,233,437
Finance lease liabilities		10,990,400
		352,763,134
FY20	**Notes**	**Carrying amount**
Non-current liabilities		
Finance lease liabilities		84,844,704
Current liabilities		
Trade and other payables	23	213,046,759
Finance lease liabilities		12,846,409
		310,737,872

Financial risk factors

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

FOREIGN EXCHANGE RISK

	Notes	FY21	FY20
Current assets			
Trade and other receivables	17	25,307,743	20,143,003
Cash and cash equivalents	20	320,998,134	388,912,196
Loans and receivables		13,171,199	16,410,167
Current liabilities			
Trade and other payables	23	(17,067,272)	(4,600,325)
Net US Dollar exposure		**342,409,804**	**420,865,041**
Exchange rates			
The following closing exchange rates were applied at reporting date:			
Rand per unit of foreign currency			
US dollar		14.900	18.100

Market risk - Foreign exchange risk

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

Foreign currency sensitivity analysis

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

A 10% strengthening in the Rand against the below currencies at 31 March 2021 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 2020.

A 10% weakening in the Rand against the above currencies at 31 March 2021 would have had the equal but opposite effect to the amounts shown below, on the basis that all other variables remained constant.

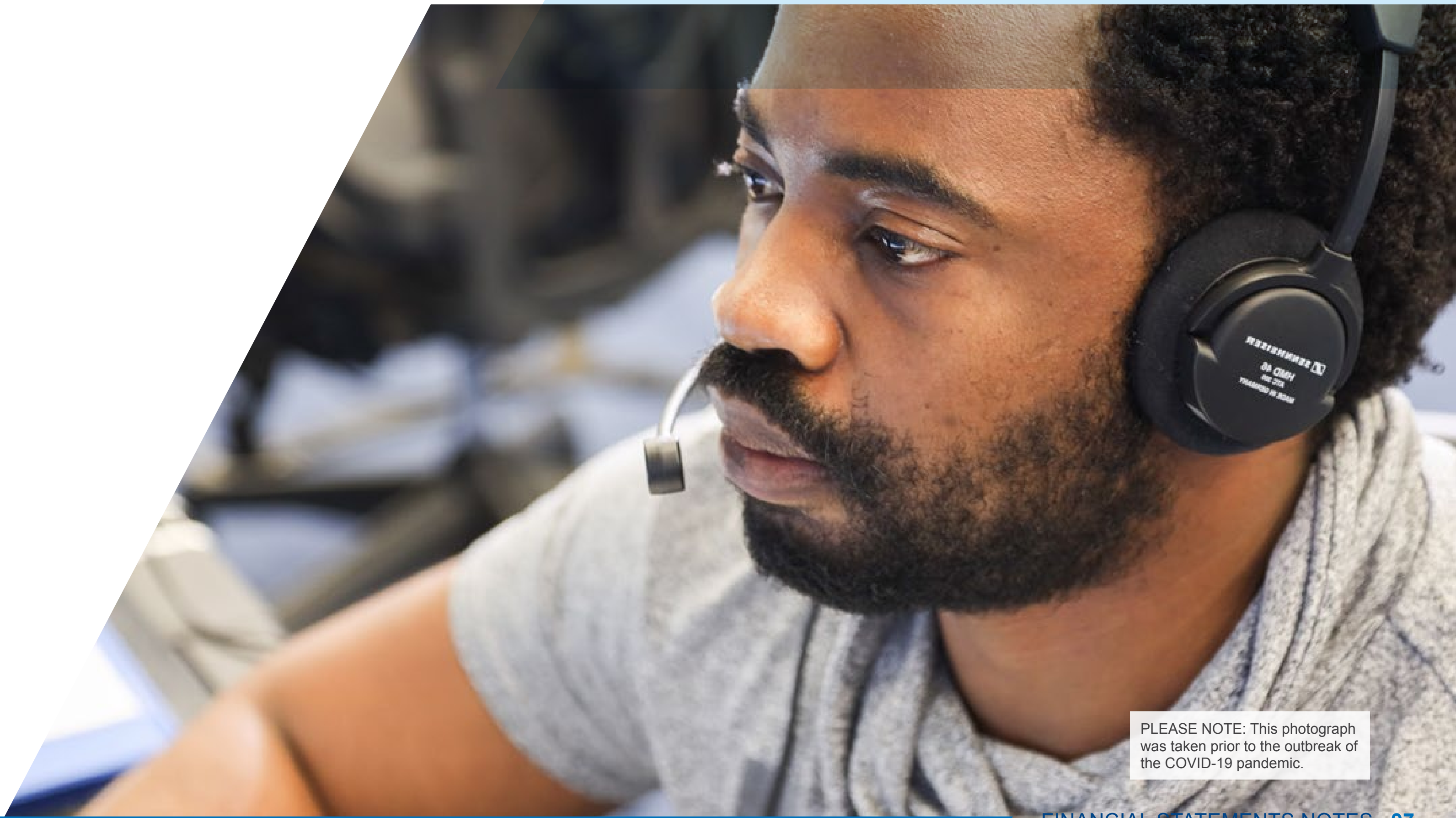
INCREASE OR DECREASE IN RATE

	FY21	FY20
	Increase/ decrease	Increase/ decrease
Impact on profit or loss		
US dollar	34,240,980	42,086,504
Impact on equity		
US dollar	34,240,980	42,086,504
	68,481,960	**84,173,008**

33. Events after the reporting period

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

However, subsequent to year-end, management initiated a process to implement section 189 of the Labour Relations Act and are in negotiations to secure funding for the capital program. Although these events are significant, they do not have an impact on the current financial year reporting.



PLEASE NOTE: This photograph was taken prior to the outbreak of the COVID-19 pandemic.

34. Going concern

The aviation industry has been hard hit by the resultant travel bans and the poor global economic outlook. Severe restrictions have been placed on local and global travel. This has resulted in fewer aircraft movements in the country. As revenue is linked to aircraft movements, the entity has experienced significantly lower tariff revenue, which did not cover its full operating costs for the year under review. The current permission (to levy charges) is expected to 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:

- ATNS's ability to raise a borrowing facility;
- Monitoring of the entity's cash flow and liquidity requirements on a regular basis using rolling forecasts
  - cash as at the end of the reporting period is R830m (2019/20: R1.6bn);
- Reprioritisation and deferral of certain capital expenditure;
- A review of the operating costs.

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

35. Irregular expenditure

Reconciliation of irregular expenditure as at 31 March FY21				
	Opening balance	Additions	Condonation by National Treasury as at 31 March 2021	Total
Opening balance	121,608,418	9,716,052	(109,803,588)	21,520,882
Details of irregular expenditure as at 31 March FY21				
	Opening balance	Additions	Condonation by National Treasury as at 31 March 2021	Total
Insufficient number of quotations	1,449,546	-	(1,449,546)	-
Quotations awarded in excess of procurement threshold	5,945,257	-	(5,945,257)	-
Splitting of quotations	700,780	-	(700,780)	-
Payments exceeds contract value	3,650,308	-	(3,617,852)	32,456
Credit card expenses	4,060,655	-	-	4,060,655
Suppliers paid without contract	34,166,446	3,687,723	(30,077,315)	7,776,854
Incorrect procurement process	1,267,524	5,643,518	(1,267,524)	5,643,518
Supplier appointed without following normal procurement process	70,367,902	384,811	(66,745,314)	4,007,399
	121,608,418	**9,716,052**	**(109,803,588)**	**21,520,882**

During the year under review, management undertook significant effort to improve and establish adequate controls to address areas of irregular expenditure. The vast majority of the irregular expenditure reported in the current year relates to contracts entered into in prior years, which is indicative of the improvement in the procurement control environment that is now preventing new incidences of non-compliance.

As at 31 March 2021, a total of R4.1 million was submitted to National Treasury for condonation.

As regards **consequence management**, during the year under review, the following were undertaken:

a. various cases were referred for internal disciplinary action;

b. one (1) case was referred to internal audit for further investigation; and

c. all cases of irregular expenditure continue to receive adequate attention.

36. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure FY21			
	Opening balance	2020/21 additions	Total
Opening balance	934,011	301,486	1,235,497
		FY21	FY20
Details of fruitless and wasteful expenditure			
Interest and penalties		685,539	384,053
Web application firewall services		462,533	462,533
Appointment of special advisors		87,425	87,425
		1,235,497	**934,011**

The company experienced incidents of fruitless and wasteful expenditure during the financial year, which mainly related to interest on late payments on suppliers' invoices. Management continues to institute preventative and corrective measures as required by the PFMA Act.

37. Material losses through criminal conduct

Criminal conduct	FY21	FY20
Fraud	1,111,999	1,163,353
Losses recovered	(1,038,800)	**(1,163,067)**
Net Loss	**73,199**	**286**

During the year under review, there were two instances of fraud by external parties who submitted fraudulent banking details upon which ATNS acted. The incidents were reported to the South African Police Services (SAPS) and the investigations are still underway.

The company has since reviewed and strengthened its financial controls to prevent future fraudulent activities.

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AIR TRAFFIC & NAVIGATION SERVICES

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