88 GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

Contents to Financial Report

Group and Company statement of profit or loss and other comprehensive income

for the year ended 31 March 2018

		GROUP			COMPANY		
R MILLION	**Notes**	**2018**	**2017 Restated**	**2016 Restated**	**2018**	**2017 Restated**	**2016 Restated**
Total income		**29 413**	30 788	30 739	**26 750**	28 399	28 411
Airline revenue	5 & 6	**28 120**	29 313	29 290	**25 207**	26 539	26 485
Other income	5 & 7	**1 293**	1 475	1 449	**1 543**	1 860	1 926
Operating costs		**32 017**	33 443	30 334	**29 749**	31 259	28 028
Aircraft lease costs	5 & 8	**3 333**	3 103	3 130	**3 141**	3 022	3 076
Accommodation and refreshments	5	**1 213**	1 413	1 280	**1 497**	1 715	1 566
Commissions and network charges		**1 793**	1 894	1 829	**1 685**	1 798	1 730
Electronic data costs		**641**	680	657	**630**	666	636
Fuel and other energy costs		**7 363**	7 368	7 344	**6 651**	6 738	6 673
Employee benefit expenses	29	**6 140**	6 131	5 831	**4 025**	4 013	3 819
Maintenance costs	5	**4 374**	4 810	4 308	**5 961**	6 179	5 509
Navigation, landing and parking fees		**2 046**	2 429	2 384	**1 807**	2 161	2 108
Fair value and translation movements	40	**829**	1 092	(808)	**804**	1 081	(834)
Other operating costs	5	**4 285**	4 523	4 379	**3 548**	3 886	3 745
Operating loss before interest, tax, depreciation and amortisation	8	**(2 604)**	(2 655)	405	**(2 999)**	(2 860)	383
Depreciation and amortisation	9	**(775)**	(1 033)	(732)	**(692)**	(953)	(656)
Impairments	11	**(568)**	26	(158)	**73**	(906)	(98)
Net (loss)/gain on disposal of property, aircraft and equipment	10	**(43)**	7	(6)	**26**	18	(2)
Operating loss		**(3 990)**	(3 655)	(491)	**(3 592)**	(4 701)	(373)
Finance costs	19	**(1 472)**	(1 630)	(1 030)	**(1 473)**	(1 663)	(1 063)
Interest income	20	**87**	40	26	**50**	12	11
Loss before taxation		**(5 375)**	(5 245)	(1 495)	**(5 015)**	(6 352)	(1 425)
Taxation	5 & 34	**(49)**	(210)	(100)	**–**	–	–
Loss for the year		**(5 424)**	(5 455)	(1 595)	**(5 015)**	(6 352)	(1 425)
Other comprehensive income/(loss):							
Remeasurements of defined benefit plans*		**1**	(11)	(6)	**1**	(11)	(6)
Gains on property revaluations*		**–**	173	(18)	**–**	67	(18)
Change in value of available-for-sale financial asset**		**6**	6	5	**6**	6	5
Taxation related to components of other comprehensive income	34	**–**	(30)	–	**–**	–	–
Other comprehensive income for the year net of taxation	41	**7**	138	(19)	**7**	62	(19)
Total comprehensive loss		**(5 417)**	(5 317)	(1 614)	**(5 008)**	(6 290)	(1 444)
Total comprehensive loss attributable to:							
Owners of the parent		**(5 417)**	(5 317)	(1 614)	**(5 008)**	(6 290)	(1 444)
		(5 417)	(5 317)	(1 614)	**(5 008)**	(6 290)	(1 444)

* *This item may not subsequently be reclassified to profit or loss.*
** *This item may subsequently be reclassified to profit or loss.*

Group and Company statement of financial position

as at 31 March 2018

		GROUP			COMPANY		
R MILLION	**Notes**	**2018**	**2017 Restated**	**2016 Restated**	**2018**	**2017 Restated**	**2016 Restated**
Assets							
Non-current assets							
Property, aircraft and equipment	12	**4 291**	4 574	4 474	**2 806**	3 114	3 146
Intangible assets	37	**213**	244	210	**81**	224	188
Investments in subsidiaries	43	**–**	–	–	**2 134**	336	1 032
Deferred tax asset	5 & 35	**12**	41	281	**–**	–	–
Amounts receivable from subsidiaries	44	**–**	–	–	**–**	–	178
Aircraft and other deposits	5 & 13	**2 261**	2 684	2 445	**2 040**	2 617	2 445
Retirement benefit asset	30	**22**	26	38	**22**	26	38
		6 799	7 569	7 448	**7 083**	6 317	7 027
Current assets							
Inventories	38	**1 063**	879	727	**121**	101	101
Amounts receivable from subsidiaries	44	**–**	–	–	**–**	1 212	1 298
Derivatives	14	**2**	34	84	**2**	34	84
Trade and other receivables	5 & 21	**3 291**	4 008	4 884	**3 079**	3 925	4 812
Aircraft and other deposits	5 & 13	**400**	696	1 356	**315**	659	1 343
Current tax receivable	36	**40**	16	16	**–**	–	–
Investments	46	**35**	29	23	**35**	29	23
Cash and cash equivalents	5 & 22	**1 647**	2 600	2 644	**1 337**	2 212	1 987
		6 478	8 262	9 734	**4 889**	8 172	9 648
Non-current assets classified as held-for-sale and assets of disposal groups	12	**99**	99	99	**99**	99	99
Total assets		**13 376**	15 930	17 281	**12 071**	14 588	16 774
Equity and liabilities							
Equity							
Equity attributable to equity holders of parent							
Share capital	47	**12 892**	12 892	12 892	**13 126**	13 126	13 126
Shareholder contribution	48	**10 000**	–	–	**10 000**	–	–
Reserves		**953**	946	815	**453**	446	391
Accumulated Loss	5	**(37 126)**	(31 702)	(26 247)	**(37 213)**	(32 198)	(25 846)
		(13 281)	(17 864)	(12 540)	**(13 634)**	(18 626)	(12 329)
Non-current liabilities							
Long-term loans	24	**786**	7 804	7 810	**785**	7 800	7 800
Retirement benefit obligation	30	**113**	121	128	**113**	121	128
Provisions	15	**2 707**	2 328	2 305	**2 693**	2 314	2 291
Deferred revenue on ticket sales	16	**678**	668	633	**678**	668	633
Other long-term liabilities	31	**206**	316	63	**143**	253	–
		4 490	11 237	10 939	**4 412**	11 156	10 852
Current liabilities							
Derivatives	14	**–**	1	4	**–**	1	4
Trade and other payables	5 & 25	**8 838**	8 262	6 731	**7 816**	7 752	6 280
Provisions	15	**1 049**	1 096	1 399	**928**	995	1 390
Current portion of long-term loans	5 & 24	**7 662**	8 140	6 255	**7 659**	8 133	6 250
Deferred revenue on ticket sales	5 & 16	**3 790**	4 374	4 470	**3 575**	4 157	4 327
Bank overdraft	23	**828**	684	23	**828**	663	–
Amounts payable to subsidiaries	45	**–**	–	–	**487**	357	–
		22 167	22 557	18 882	**21 293**	22 058	18 251
Total liabilities		**26 657**	33 794	29 821	**25 705**	33 214	29 103
Total equity and liabilities		**13 376**	15 930	17 281	**12 071**	14 588	16 774

Group and Company statement of changes in equity

for the year ended 31 March 2018

R MILLION	Share capital	Shareholder contribution	Other reserves*	Revaluation reserve	Shareholder restructuring fund	Total share capital and reserves	Accumulated loss	Total equity
GROUP								
Balance at 1 April 2016 – Restated**	12 892	–	(98)	839	74	13 707	(26 247)	(12 540)
Total comprehensive income for the year	–	–	(5)	143	–	138	(5 455)	(5 317)
Voluntary severance packages paid	–	–	–	–	(7)	(7)	–	(7)
Balance at 1 April 2017 – Restated**	12 892	–	(103)	982	67	13 838	(31 702)	(17 864)
Total comprehensive income for the year	**–**	**–**	**7**	**–**	**–**	**7**	**(5 424)**	**(5 417)**
Contribution made by shareholder during the year	**–**	**10 000**	**–**	**–**	**–**	**10 000**	**–**	**10 000**
Balance at 31 March 2018	**12 892**	**10 000**	**(96)**	**982**	**67**	**23 845**	**(37 126)**	**(13 281)**
COMPANY								
Balance at 1 April 2016 – Restated***	13 126	–	(98)	415	74	13 517	(25 846)	(12 329)
Total comprehensive income for the year	–	–	(5)	67	–	62	(6 352)	(6 290)
Voluntary severance packages paid	–	–	–	–	(7)	(7)	–	(7)
Balance at 1 April 2017 – Restated***	13 126	–	(103)	482	67	13 572	(32 198)	(18 626)
Total comprehensive income for the year	**–**	**–**	**7**	**–**	**–**	**7**	**(5 015)**	**(5 008)**
Contribution made by shareholder during the year	**–**	**10 000**	**–**	**–**	**–**	**10 000**	**–**	**10 000**
Balance at 31 March 2018	**13 126**	**10 000**	**(96)**	**482**	**67**	**23 579**	**(37 213)**	**(13 634)**
Notes	47	48	41					

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

** *The opening accumulated loss balance at 1 April 2016 of R26 071 million was restated to R26 247 million. Similarly, the opening accumulated loss balance at 1 April 2017 of R31 640 million was restated to R31 702 million. This was due to prior year restatements as detailed in Note 5.*

*** *The opening accumulated loss balance at 1 April 2016 of R25 676 million was restated to R25 846 million. Similarly, the opening accumulated loss balance at 1 April 2017 of R32 127 million was restated to R32 198 million. This was due to prior year restatements as detailed in Note 5.*

Group and Company statement of cash flows

for the year ended 31 March 2018

		GROUP			COMPANY		
R MILLION	Notes	2018	2017 Restated*	2016 Restated*	2018	2017 Restated*	2016 Restated*
Cash flows from operating activities							
Cash (used in)/generated from operations	18	**(1 102)**	(15)	97	**(1 307)**	193	175
Interest income		**87**	40	26	**50**	12	11
Finance costs		**(1 472)**	(1 630)	(1 030)	**(1 473)**	(1 663)	(1 063)
Realised gains/(losses) from derivative financial instruments		**20**	116	(40)	**20**	116	(40)
Currency and jet fuel option premium spend		**(22)**	(136)	(158)	**(22)**	(136)	(158)
Tax paid	36	**(56)**	(7)	(36)	**(12)**	(7)	(16)
Net cash outflow from operating activities		**(2 545)**	(1 632)	(1 141)	**(2 744)**	(1 485)	(1 091)
Cash flows from investing activities							
Additions to property, aircraft and equipment	12	**(626)**	(997)	(714)	**(562)**	(885)	(658)
Proceeds on disposal of property, aircraft, equipment and intangible assets	12 & 37	**8**	45	44	**231**	43	36
Additions to intangible assets	37	**(21)**	(44)	(13)	**(19)**	(39)	(1)
Acquisition of shares in subsidiaries		**–**	–	–	**(1 418)**	–	–
Repayment of loans by subsidiaries		**–**	–	–	**1 378**	–	–
Net cash outflow from investing activities		**(639)**	(996)	(683)	**(390)**	(881)	(623)
Cash flows from financing activities							
Proceeds from contribution made by the shareholder during the year		**10 000**	–	–	**10 000**	–	–
External borrowings raised		**104**	2 257	6 000	**1 482**	2 257	6 000
External borrowings repaid		**(7 575)**	(353)	(1 601)	**(8 946)**	(350)	(1 597)
Movement in bank overdraft		**144**	661	(1 162)	**165**	663	(1 155)
Net cash inflow from financing activities		**2 673**	2 565	3 237	**2 701**	2 570	3 248
Net (decrease)/increase in cash and cash equivalents		**(511)**	(63)	1 413	**(433)**	204	1 534
Cash and cash equivalents at the beginning of the year		**2 600**	2 644	1 295	**2 212**	1 987	519
Foreign exchange effect on cash and cash equivalents		**(442)**	19	(64)	**(442)**	21	(66)
Cash and cash equivalents at the end of the year	22	**1 647**	2 600	2 644	**1 337**	2 212	1 987

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Group and company annual financial statements of South African Airways SOC Limited (the Group and the company), have been prepared in accordance with International Financial Reporting Standards (IFRS) , the Companies Act No 71 of 2008 and the Public Finance Management Act No 1 of 1999 (as amended) (PFMA). National Treasury has exempted major public entities under Schedule 2 of the PFMA from preparing financial statements according to SA GAAP (Generally Accepted Accounting Practice) in terms of Treasury Regulation 28.1.6 and section 79 of the PFMA until further notice. The Group and company annual financial statements are presented in South African rand, which is the Group's reporting currency, rounded to the nearest million. The Group and company annual financial statements have been prepared on an historical cost basis, except for measurement at fair value of certain financial instruments and the revaluation of land and buildings as described further in the accounting policy notes below.

The financial statements are prepared on the basis of the accounting policies applicable to a going concern. This basis presumes that the company will continue to receive the support of its Shareholder and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. Full disclosure relating to the directors' going concern assessment can be found in Note .

These accounting policies are consistent with the previous period.

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

Basis of consolidation

SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

GOODWILL

Goodwill represents the excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the acquisition date. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On disposal of a subsidiary, the attributable goodwill is included in the determination of the profit or loss on disposal.

FOREIGN CURRENCY TRANSACTIONS

For the purpose of the Group and company annual financial statements, the results and financial position of each entity are expressed in South African rand, which is the presentation currency for the Group and company annual financial statements.

In preparing the annual financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the ruling rates of exchange, which are taken as being the International Air Transport Association (IATA) five day average rate applicable to the transaction month. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income.

REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

RENDERING OF SERVICES

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably, recognised by reference to the stage of completion of the transaction at the end of the reporting date.

Revenue consists of passenger airline revenue, freight and mail revenue, revenue from technical services, Voyager income, commission received, the release of unutilised air tickets and fuel levies.

Passenger air ticket and cargo air waybill sales, net of discounts, are initially recognised as current liabilities in the Air Traffic Liability account and only recognised as revenue when the transportation service is provided. Commission costs are recognised in the same period as the revenue to which they relate.

Air tickets that remain unutilised after a 12-month period in respect of international and regional tickets or a six-month period in respect of domestic tickets are released to revenue. The estimate is based on historical statistics and data that takes into account the terms and conditions for various ticket types.

FREQUENT FLYER PROGRAMME

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

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

SAA accounts for award credits issued on SAA flights as a separately identifiable component of the sales transaction in which they are earned. The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted for as a liability (deferred revenue) in the Group and company statement of financial position. The fair value is determined with reference to the value of the awards for which miles have been redeemed during the last 12 months and is not adjusted for future changes in fair value. Revenue is recognised on unredeemed miles when they expire.

TECHNICAL MAINTENANCE

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

COMMISSION RECEIVED

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

OTHER INCOME

Other income relates to income received from handling fees, income from leased assets and other recoveries and is recognised in profit or loss in the period in which they arise.

INTEREST INCOME

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

Maintenance costs

OWNED AIRCRAFT

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

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

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

LEASED AIRCRAFT

Provision is made for aircraft maintenance expenditure which the Group incurs in connection with major airframe and engine overhauls on operating leased aircraft, where the terms of the lease imposes obligations on the lessee to have these overhauls carried out. Provision for expenditure to meet the contractual return conditions is also included. The actual expenditure on the overhauls is charged against the provision when incurred. Any residual balance is transferred to profit or loss. All other replacement spares and other expenditure relating to maintenance of leased fleet assets is charged to profit or loss on consumption or as incurred.

POWER BY THE HOUR

Expenditure for engine overhaul costs covered by power by the hour (fixed rate charged per hour) maintenance agreements is charged to profit or loss over the life of the contract.

SUNDRY RETURN COSTS

With regards to leased aircraft, where the Group has an obligation to return the aircraft with adherence to certain maintenance conditions, provision is made during the lease term. The provision is based on the present value of the expected future costs of meeting the maintenance return conditions. The present value of non-maintenance return conditions is provided for at the inception of the lease and an equal asset is capitalised and depreciated over the lease term.

MAINTENANCE RESERVE: GROUP AND COMPANY AS LESSEE

Maintenance reserves are payments made to lessors in terms of the aircraft lease contract. The lessors are contractually obligated to reimburse the Group and company for the qualifying maintenance expenditure incurred on aircraft if the Group and company has a maintenance reserves credit. Maintenance reserves are recognised as an asset. The recoverability of the asset is assessed annually against the entity's ability to claim against future maintenance events. Where it is deemed that the entity will be unable to claim for a future maintenance event, the maintenance reserve payments are expensed accordingly.

Reimbursement amounts are only recognised as assets in respect of maintenance costs to be reimbursed if the work has been performed and it is probable that the amounts claimed are recoverable in terms of the aircraft lease contract and based on the available balance in the maintenance reserve account.

The reimbursement amounts claimed from lessors in respect of qualifying maintenance are transferred to receivables until actually received.

MAINTENANCE RESERVE: COMPANY AS LESSOR

Where the company leases aircraft to a subsidiary company, appropriate maintenance payments are included in the lease agreements. The maintenance amounts received by the company are recognised as revenue as and when they become due from the lessee.

The provision for maintenance claim liability, limited to the maintenance reserves credits, is raised by the company on receipt of a valid claim for reimbursement in respect of qualifying maintenance costs by the lessee.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

CURRENT TAX

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the Group and company statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

DEFERRED TAX

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Group and company financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises on the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Taxation *(continued)*

CURRENT AND DEFERRED TAX FOR THE YEAR

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred tax is also recognised in other comprehensive income. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, aircraft and equipment

OWNED ASSETS

Land and buildings

Land and buildings are shown at fair value based on valuations performed by external independent valuers, less subsequent accumulated depreciation and accumulated impairment losses for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation and accumulated impairment losses at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Aircraft

Aircraft are stated at cost less accumulated depreciation and any recognised impairment losses. Cost includes buyer furnished equipment (BFE) costs and is net of manufacturer's discount/credits, with subsequent additions to or renewal of exchangeable units also stated at cost. Cost includes any fair value gains or losses resulting from hedging instruments used to hedge the acquisition of the underlying asset, which qualify for hedge accounting. Where there are deferred payment terms, the cost is the cash price equivalent.

Other property, machinery and equipment

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

DEPRECIATION

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

When parts of an item of property, aircraft and equipment have different useful lives, those components are identified and the useful lives and residual values are estimated for each component. Where the useful lives for the identified components are similar, those are aggregated and depreciated as one component by applying the useful life relevant to that significant component. During the current financial year, two previously leased aircraft were purchased. These were not componentised as their intended useful lives were similar.

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

The following annual rates are applicable:

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

RESIDUAL VALUES

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

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

Property, aircraft and equipment *(continued)*

CAPITAL WORK IN PROGRESS

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

EXCHANGEABLE UNITS

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

DISPOSAL OF ASSETS

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

Leasehold improvements

LAND AND BUILDINGS

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

AIRCRAFT

In cases where the aircraft held under operating leases are fitted with BFE at the cost of the company, the BFE acquired is recognised as an asset (leasehold improvements) and depreciated over its useful life or over the period of the lease term, whichever is shorter.

ACCOUNTING FOR LEASES

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

GROUP AS LESSEE

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Group and company statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Manufacturers' credits that represent a portion of manufacturers' cash incentives which have not been taken into account in determining the lease rentals payable on operating leased aircraft are initially recognised as liabilities and are amortised on a straight-line basis over the lease term to reduce the net rental expense payable.

Initial rentals represent amounts paid to the lessor in advance. These are recognised as prepaid lease payments at the commencement of the lease and are amortised on a straight-line basis over the lease term.

GROUP AS LESSOR

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less cost of disposal.

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

Intangible assets

INTANGIBLE ASSETS ACQUIRED SEPARATELY

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

AMORTISATION

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets assessed to have indefinite useful lives and goodwill are not amortised but are tested for impairment at each reporting period.

The intangible assets with finite useful lives are amortised from the date they are available for use applying the following rates:

Intangible asset class	Useful lives
Application software	3 to 5 years
Internet booking site	5 years

DERECOGNITION OF INTANGIBLE ASSETS

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Any subsequent expenditure on capitalised intangible assets is capitalised only when it meets the recognition criteria of an intangible asset. All other expenditure is expensed as incurred.

Impairments

INTANGIBLE ASSETS

Intangible assets are tested for impairment whenever there are circumstances that indicate that the carrying value may not be recoverable. Intangible assets that have not yet been brought into use or have an indefinite useful life, including goodwill, will be reviewed for impairment at least on an annual basis.

TANGIBLE ASSETS

The carrying amounts of the Group's tangible assets, which mainly consist of property, aircraft and equipment, are reviewed at each statement of financial position date to determine whether there is any indication that those assets have been impaired. If there is any indication that an asset may be impaired, its recoverable amount is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

CALCULATION OF RECOVERABLE AMOUNT

The recoverable amount is the higher of the asset's fair value less cost of disposal and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Impairments *(continued)*

REVERSAL OF IMPAIRMENTS

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately. An impairment loss in respect of goodwill is not reversed in subsequent periods.

Pre-delivery payments (PDPs) and other aircraft deposits

PDPs paid to the manufacturers of aircraft in terms of the contractual arrangements governing the purchase of aircraft are initially recognised as part of capital work in progress at the cost of the consideration delivered. In the event that a decision is taken that it is likely that the underlying aircraft will not be purchased at the expected delivery date, but will be leased under an operating lease, then the related PDPs will be remeasured to the present value of the consideration expected to be received from the ultimate lessor.

This consideration will, if it is denominated in a foreign currency, be translated to the presentation currency by applying the exchange rate ruling at the reporting date.

In calculating the value of the future consideration receivable, any benefit or loss that will result as a consequence of the Group having secured the aircraft at the original contractual price as against the fair value of the aircraft at the date of delivery to the lessor, which is taken into consideration if the future operating lease payments form part of the consideration receivable. Any loss arising on remeasurement is classified as an impairment.

Once the operating lease agreement related to the aircraft has been formally concluded, the receivable amount so arising is transferred from capital work in progress to refundable deposits.

Where an aircraft is delivered under short-term bridging finance, pending the finalisation of an operating lease, the related PDPs and the final instalment paid to the manufacturer are again remeasured at the present value of the expected consideration from the lessor in the same manner as outlined above. Under these circumstances the full consideration receivable is classified under refundable amounts.

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity” investments, “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as trade receivables, loans originated by the Group, fixed deposits and defeasance deposits.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate method, except for trade and other receivables when the recognition of interest would be immaterial.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified as at fair value through profit or loss, loans and receivables or held-to-maturity investments.

This category includes listed and unlisted investments, except for investments in subsidiaries.

After initial recognition, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised directly in other comprehensive income.

With disposal of financial assets, the accumulated gains and losses recognised in other comprehensive income resulting from measurement at fair value are recognised in profit or loss. If a reliable estimate of the fair value of an unquoted equity instrument cannot be made, this instrument is measured at cost less any impairment losses.

Dividends received from these investments are recognised in profit or loss when the right of payment has been established. Fair value is determined as stated in Note 28.1.

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

Financial instruments *(continued)*

HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held-for-trading. These mainly include derivative financial assets and commodity derivatives. A financial asset is classified as held-for-trading if it has been acquired principally for the purposes of selling in the near future, is a derivative that is not designated and effective as a hedging instrument and it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

After initial recognition, these financial assets are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest on the financial asset. Fair value is determined as stated in Note 28.1.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments, such as foreign currency contracts, currency options, commodity derivative swaps, options and collars, to manage its risks associated with foreign currency fluctuations and underlying commodity fluctuations. The Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are classified as held-for-trading financial assets or financial liabilities.

The Group's derivatives normally have a maturity period of 12 months or less and are therefore presented as current assets or current liabilities.

Embedded derivatives in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

INVESTMENTS

Investments in subsidiaries are recognised on a trade date basis and are initially recognised at cost. After initial recognition, the company's investments in subsidiaries will continue to be held at cost and are reviewed annually for impairment.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, cash in banks, short-term deposits, bank overdrafts and highly liquid investments and are initially measured at fair value and subsequently measured at amortised cost.

HEDGE ACCOUNTING

The Group does not hedge account as its hedging activities do not meet the criteria for hedge accounting as set out in IAS 39.

EFFECTIVE INTEREST RATE METHOD

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate method basis for debt instruments other than those financial assets classified as at FVTPL.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, because of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For categories of financial assets, such as trade receivables, impairment is assessed on an individual basis. Any assets that are assessed not to be impaired on an individual basis are subsequently assessed for impairment on a portfolio basis. The assets are grouped in a portfolio, taking into consideration similar credit risk characteristics. The objective evidence of impairment for a portfolio of receivables normally includes the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of between 60 to 90 days, depending on the defined credit risk assessment for each type of debtor. Any dispute of amount receivable from the debtor is also considered as part of impairment indicators. For more details refer to Note 21.

For loans and deposits carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced using an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Financial instruments *(continued)*

DERECOGNITION

A financial asset is derecognised when the Group loses control over the contractual rights of the asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished. When available-for-sale assets and assets held-for-trading are sold, they are derecognised and a corresponding receivable is recognised at the date the Group commits the assets. Loans and receivables are derecognised on the day the risks and rewards of ownership are transferred.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

EQUITY INSTRUMENTS

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

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

FINANCIAL LIABILITIES

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

Other financial liabilities are subsequently measured at amortised cost, with the exception of finance lease obligations, which are measured in terms of IAS 17 Leases (refer to "Accounting policy on leases").

Financial liabilities at fair value through profit or loss are classified as held-for-trading. A financial liability is classified as held-for-trading if it is a derivative not designated and effective as a hedging instrument. Financial liabilities held-for-trading are subsequently stated at fair value, with any gains and losses recognised in profit or loss. Fair value is determined in a manner described in Note 28.1.

INTEREST BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at fair value, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. The inventory held by the Group relates mainly to maintenance inventories, other consumables and work in progress.

Redundant and slow moving inventories are identified on a regular basis and written down to their realisable values. Consumables are written down with regard to their age, condition and utility.

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision will be reassessed at each statement of financial position date taking into account the latest estimates of expenditure required and the probability of the outflows. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability except those that have been taken into account in the estimate of future cash flows. Where discounting is used, the increase in a provision due to the passage of time is recognised as an interest expense.

A provision is used only for the expenditures for which the provision was originally recognised.

ONEROUS CONTRACTS

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

REIMBURSEMENTS

Where the Group expects a provision to be reimbursed by a third party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

RESTRUCTURING PROVISION

A restructuring provision is recognised when the Group has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The obligation to restructure arises when management has made a decision to restructure and a detailed formal plan for restructuring is put in place, an announcement to stakeholders is made and valid expectation to those affected has been raised that it will be carried out or has started to be implemented before the statement of financial position date.

PROVISION FOR LEASE LIABILITIES

For aircraft held under operating lease agreements, SAA is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the airframe, engines and life-limited parts upon return. In order to fulfil such conditions of the lease, maintenance in the form of major airframe overhaul, engine maintenance checks, and restitution of major life-limited parts is required to be performed during the period of the lease and upon return of the aircraft to the lessor. The estimated airframe and engine maintenance costs and the costs associated with the restitution of major life-limited parts are accrued and charged to profit or loss over the lease term for this contractual obligation.

Employee benefits

PENSION BENEFITS

The Group operates two defined benefit funds as well as various defined contribution funds. The assets of each scheme are held separately from those of the Group and are administered by the schemes' trustees. The funds are actuarially valued by professional independent consulting actuaries.

The Group's contributions to the defined contribution fund are charged to profit or loss during the year in which they relate.

The benefit costs and obligations under the defined benefit fund are determined separately for each fund using the projected unit credit method. The benefit costs are recognised in profit or loss. Remeasurements of defined benefit plans are recognised in the period in which they occur outside of profit or loss in other comprehensive income.

Past service costs are recognised immediately in profit or loss.

When the benefits of a plan are improved, the portion of the increased benefit relating to past services by the employees is recognised as an expense immediately in profit or loss. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets.

POST-RETIREMENT MEDICAL BENEFITS

Post-retirement medical benefits are provided by the Group to qualifying employees and pensioners. The benefit medical costs are determined through annual actuarial valuations by independent consulting actuaries using the projected unit credit method.

SHORT AND LONG-TERM BENEFITS

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, is recognised during the period in which the employee renders the related service.

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. This obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted.

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

Employee benefits *(continued)*

TERMINATION BENEFITS

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it has demonstrated its commitment either to terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits because of an offer made to encourage voluntary redundancy.

Fruitless, wasteful and irregular expenditure

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

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

Related parties

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

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

Comparative figures

The comparative information, with the exception of the restatements as disclosed in Note 5, is consistent with the prior year.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following new standards and interpretations that are effective for the current financial year. The new standards and interpretations effective and adopted in the current year, did not have a significant impact on the Group.

Standard/interpretation	Effective date: years beginning on or after	Summary of changes
Amendments to IAS 7 – Statement of cash flows, as a result of the disclosure initiative	1 January 2017	The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).
Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses	1 January 2017	The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations which have been published and are only mandatory for the Group's accounting periods beginning on or after 1 April 2018. The standards and interpretations included below only include those that the directors believe may have an impact on the Group, the quantum of which can not be reliably estimated.

Standard/interpretation	Impact	Effective date: years beginning on or after
IFRS 9 – Financial Instruments, finalised version incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	No significant impact expected.	1 January 2018
IFRS 15 – Revenue from contracts with customers	Reassessment of revenue and interest recognition specifically relating to long-term contracts and impacts timing of profit recognition on long-term contracts within the statement of profit or loss and other comprehensive income. The adoption of this standard is likely to have a significant effect on SAA's financial statements. Please refer below for a detailed assessment of the effect of the standard on the annual financial statements.	1 January 2018
IFRIC 22 – Foreign currency transactions and advance consideration	The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency.	1 January 2018
IFRS 16 – Leases	The accounting for leases which will result in the recognition of the obligation and asset for long-term leases. The adoption of this standard is likely to have a significant effect on SAA's financial statements. Please refer below for a detailed assessment of the effect of the standard on the annual financial statements.	1 January 2019
IFRIC 23 – Uncertainty over income tax treatments	No significant impact expected.	1 January 2019
Amendments to IFRS 9 – Prepayment features with negative compensation	No significant impact expected.	1 January 2019
Amendments to IAS 19 – Plan amendment, curtailment or settlement	As the amendments apply prospectively to plan amendments, curtailments or settlements that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering a plan amendment, curtailment or settlement after first applying the amendments might be affected.	1 January 2019
Annual Improvements Project: IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity	The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.	1 January 2019
Annual Improvements Project: IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation	The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.	1 January 2019
Conceptual Framework for Financial Reporting	The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event.	1 January 2020

Effect of the adoption of IFRS 15 'Revenue from contracts with customers' on the annual financial statements

The Group has identified the following changes to revenue recognition on adoption of IFRS 15: Revenue from Contracts with Customers:

- Passenger revenue – revenue associated with ancillary services that is currently recognised when paid, such as administration fees, will be deferred to align with the recognition of revenue associated with the related travel.
- Voyager income – Frequent flyer miles earned by Voyager members on SAA flights will be valued at the standalone selling price utilising a redemption value approach instead of the fair value approach that was utilised in prior years. Income recognition due to mileage utilisation on third party redemption partners will be presented net of related costs rather than gross as SAA is considered to be agent rather than principal in these transactions.

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 Standards and interpretations not yet effective *(continued)*

Effect of the adoption of IFRS 15 'Revenue from contracts with customers' on the annual financial statements *(continued)*

The Group expects to apply the standard on a retrospective basis. On adoption of the standard, the adjustment to accumulated loss as at 1 April 2018 is expected to be a charge of R16 million. For the year ended 31 March 2019, adjustments to reflect the new standard are expected to result in a decrease to income of R87 million and a decrease to operating costs of R89 million, resulting in a decrease in operating loss of R2 million.

Effect of the adoption of IFRS 16 'Leases' on the annual financial statements

IFRS 16 'Leases' is effective from 1 January 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. The Group has a number of operating leases for assets including property, aircraft and equipment. Details of the Group's operating lease commitments are disclosed in Note 17.

The Group is currently assessing the impact of the new standard and expects its implementation to have a significant impact on the annual financial statements from the date of adoption. The main changes will be as follows:

- The amounts recognised as assets and liabilities on adoption of IFRS 16 will be subject to a number of judgements, estimates and assumptions. This includes:
  - Judgements when reviewing current arrangements to determine whether they contain leases as defined under the new standard.
  - Assumptions used to calculate the discount rate to apply to lease obligations, which is likely to be based on the incremental borrowing rate for the estimated lease term.
  - Estimation of the lease term, including options to extend the lease where the Group is reasonably certain to extend.
- Interest-bearing borrowings and non-current assets will increase on implementation of the standard as obligations to make future payments under leases currently classified as operating leases will be recognised on the statement of financial position, along with the related 'right-of-use' asset. It is expected that lease obligations, which are predominantly US dollar denominated, will be recognised at the exchange rate ruling on the date of adoption and appropriate incremental borrowing rate at that date, with the related 'right-of-use' asset recognised at the exchange rate ruling at the commencement of the lease.
- There will be a reduction in expenditure on operations and an increase in finance costs as operating lease costs are replaced with depreciation and lease finance costs.
- The Group's operating and financial statistics will also be impacted. These comprise operating margin and operating margin before exceptional items, EBITDAR and net debt/total capital ratio. The definitions of these metrics will be reviewed on adoption of IFRS 16 to ensure that they continue to measure the outcome of the Group's strategy and monitor performance against long-term planning targets.

For future reporting periods after adoption, foreign exchange movements on lease obligations, which are predominantly denominated in US dollars, will be remeasured at each statement of financial position date, however, the 'right-of-use' asset will be recognised at the historic exchange rate. This will create volatility in the statement of profit or loss and other comprehensive income.

3. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

Useful lives, depreciation method and residual values of property, aircraft and equipment

The Group assesses the useful lives, depreciation method and residual values of property, aircraft and equipment at each reporting date. During the year, it was determined that the remaining useful lives and residual values of owned aircraft be amended as detailed below. The useful lives, residual values and the depreciation method of all other classes of assets remained unchanged as they were deemed to be appropriate.

Change in estimate

Included in the loss before tax is a change in estimate relating to the depreciation charge of aircraft. The useful lives and the residual values of aircraft were assessed during the current year due to changes in the fleet plan. It was determined there is now a maximum of five years remaining on the A340-600 fleet and one year for the A340-300 fleet as at 31 March 2018. The effect of the change in estimate decreases the loss before tax by R49,5 million. The carrying value of these aircraft would have been R847,1 million using the original estimates, the current carrying value of these aircraft using the amended estimate is now R896,6 million at year end. The cumulative effect of the change for the next year will be an increase in the depreciation charge of R105,6 million. Thereafter the depreciation will decrease by R250 million per annum as a result of the A340-300 aircraft being depreciated to residual value .

Maintenance reserves expensed

Maintenance reserves prepayments unutilised at the expiry of the lease term are not refundable. The Group estimates the unutilised balance that is likely to remain at the end of the lease term based on planned events and assumed consumed life of leased aircraft and their components between year end and the lease expiry date and uses this estimate as the basis for expensing maintenance reserve payments. The recognition of the maintenance reserves assets and values thereof are subject to critical judgements followed by management. The difference between the net maintenance reserve and the claimable major maintenance is the consumed life. The critical judgements that management had to make are with regards to how much of the maintenance reserves outstanding will not be utilised by the end of the lease term and how much will be claimed from lessors. To do this Management needed to estimate when the next event will happen in order to determine if the next event is likely to happen after the end of the lease term. Management generally looks at the scheduled events and the time elapsed since the last event to estimate when the next event will happen.

Provision for lease liabilities

For aircraft held under operating lease agreements, the Group is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the airframe, engines and life-limited parts upon return. In order to fulfil such conditions of the lease, maintenance in the form of major airframe overhaul, engine maintenance checks and restitution of major life-limited parts is required to be performed during the period of the lease and upon return of the aircraft to the lessor. The estimated airframe and engine maintenance costs and the costs associated with the restitution of major life-limited parts, are accrued and charged to profit or loss over the lease term for this contractual obligation.

Provision for lease liabilities *(continued)*

The contractual obligation to maintain and replenish aircraft held under operating leases exists independently of any future actions within the control of the Group. These elements of accounting policies involve the use of estimates in determining the quantum of both the initial maintenance asset and/or the amount of provisions to be recorded and the respective periods over which such amounts are charged to profit or loss. The major sources of estimation uncertainty, regarding the calculation of the provision include the price at which the life limited parts will be replaced based on current prices, the quantity of the limited life parts that will need to be replaced, the cost of the next event regarding the major maintenance and the expected timing of the next event. The occurrence of major events is either time or activity based, therefore the time that has passed or activity that has been consumed since the last event also required management's judgement. At the inception of the lease management need to estimate the cost of returning the aircraft to the condition required by lessors including the costs of painting the aircraft and replacing certain components which affect both the restoration asset and the related provision. In making such estimates the Group has primarily relied on its own and industry experience, industry regulations and recommendations from manufacturers. However these estimates can be subject to revision depending on a number of factors such as the timing of the planned maintenance, the ultimate utilisation of the aircraft, changes to government and international regulations and increases or decreases in estimated costs. The Group evaluates its estimates and assumptions in each reporting period and when warranted adjusts its assumptions which generally impact maintenance and depreciation expense in the statement of profit or loss and other comprehensive income on a prospective basis.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Frequent flyer programme

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

Estimation techniques are used to determine the fair value of award credits. The estimation technique applied considers the fair value of a range of different redemption options by reference to their cash selling prices, such as airfares on different routes and in different classes of travel as well as flight upgrades and partner rewards. A weighted average value per mile is derived based on past experience of the mix of rewards selected by Voyager members. A 12-month historical trend forms the basis of the calculations. The number of award credits not expected to be redeemed by members is also factored into the estimation of the fair value.

Professional judgement is exercised by management due to the diversity of inputs that go into determining the fair value of the award credits and due to the possibility that the trend may change over time. A one percent variance in the weighted average fair value for all the buckets of outstanding miles equates to a movement of R11,5 million (2017: R11,6 million) in the outstanding mileage liability in the statement of financial position.

The carrying amount of long-term frequent flyer deferred revenue at year end was R678 million (2017: R668 million) and the carrying amount of short-term frequent flyer deferred revenue was R474 million (2017: R493 million). Please refer to Note 16 for more details regarding the frequent flyer deferred revenue.

Allowance for slow moving, damaged and obsolete inventories

An allowance to write-down inventories to the lower of cost or net realisable value. Management have made estimates of the selling price and direct costs to sell on certain inventory items. The write-down is included in Note 11.

Airport taxes

Included in the cost of the airfare charged by SAA to a passenger, is a separate charge specified on the airline ticket as a Passenger Service Charge (PSC). The PSC included on the airline ticket is the amount as published in the Government Gazette from time to time, Publication of Airport Charges, in terms of the Airports Company Act, which is a VAT inclusive amount. The PSC is collected on behalf of and payable to the Airports Company South Africa SOC Limited (ACSA) in terms of the Airports Company Act. Industry-wide it is the practice and understanding that the airlines act in the capacity as agent for ACSA as ACSA has no means to collect the PSC directly from the passenger.

The PSC is reflected on the airline ticket under the tax code "ZA". When an airline ticket is sold by SAA, the PSC is reflected (in line with airline practice) as a creditor in the statement of financial position of SAA as an amount owing to ACSA. When ACSA invoices SAA in respect of the PSC for airline tickets flown and SAA pays the amount invoiced by ACSA, SAA reduces the amount owing to ACSA on its statement of financial position accordingly. The PSC's charged or received are accordingly not reflected as revenue by SAA in its statement of profit or loss and other comprehensive income. When SAA pays the PSC to ACSA in respect of airline tickets flown, SAA also does not reflect such amounts as expenses in its statement of profit or loss and other comprehensive income. SAA accordingly receives invoices from ACSA exclusive of VAT. SAA carries out a review of the PSC in respect of unflown tickets for periods older than 36 months. SAA then reduces the ACSA creditor account in its statement of financial position by the unflown PSC amounts older than 36 months and reflects the amount as income in its statement of profit or loss and other comprehensive income. The understanding within the industry is that as the airlines incur costs such as merchant's fees in the collection of the PSC on behalf of ACSA and do not on-charge these costs, the "breakage" in respect of the PSC remains with the airline.

In 2005 in the BA court case, the judgements handed down by the SCA supports a view that the PSC is charged by the airline to its passengers for its own benefit and account, ie as principal, and that it is then paid over by the airline to ACSA as the principal obligator. On 6 September 2005, subsequent to the SCA judgement in the BA case, SARS issued its draft Interpretation Note (IN) and briefing note that sets out its interpretation and application of the VAT legislation with regard to statutory charges levied on aircraft passengers. In the draft IN SARS expresses a view which differs from the conclusion reached by the SCA in the BA case and states that ACSA renders a service to the passengers in respect of which the PSC is charged and the airline simply collects the PSC from passengers on behalf of ACSA. The draft IN stated further that the airline carrier is accordingly not required to account for output tax on PSC collected from the passengers and is also not entitled to claim any input tax deductions in respect of the invoices received from ACSA. The VAT treatment as outlined by SARS in the draft IN is the position which has been adopted by ACSA, SAA and other airlines to date.

5. RESTATEMENTS

The Group and company annual financial statements have been prepared in accordance with International Financial Reporting Standards. The basis is consistent with the prior year except for restatements reflected below.

Reclassifications

During the current financial year, management decided to change certain general ledger account classifications in the annual financial statements in order to achieve a more accurate presentation in the Group and company annual financial statements. As a result of these reclassifications, the prior years were restated retrospectively in terms of IAS 8 – Changes in Accounting Policies, Accounting Estimates and Errors. The annual financial statement line items affected by these reclassifications were aircraft and other deposits, trade and other receivables, cash and cash equivalents, deferred revenue on ticket sales, trade and other payables, current portion of long-term loans, airline revenue and other income. The above reclassifications did not have an effect on the loss previously reported in the prior years.

Maintenance costs

During the 2016/2017 financial year, there was a portion of maintenance costs that were treated as a prepayment instead of being expensed. The prior year balances have been restated in terms of IAS 8 – Changes in Accounting Policies, Accounting Estimates and Errors, this only affected the company, as the transaction consolidated out at a Group level. Also during the 2016/2017 and 2015/2016 financial years, there was an over accrual of invoices for maintenance costs, this was adjusted and these balances have also been restated accordingly.

Mango passenger service charges adjustment

Lanseria passenger service charges were previously treated as a liability as the relationship with the airport in respect of the passenger service charge was deemed an agency relationship, it has recently been confirmed that Mango Airlines SOC Limited is in fact a principal in relation to those charges. Provision has been made for the understatement of VAT payable to SARS in various financial years. Management is in the process of submitting a Voluntary Disclosure Programme (VDP) to SARS in respect of this matter. Refer below for the adjustments as a result of the correction of this error.

The aggregate effect of the restatements on the Group and company annual financial statements for the year ended 31 March 2017 and 31 March 2016 is as follows:

		GROUP		COMPANY	
R MILLION	**Notes**	**2017**	**2016**	**2017**	**2016**
STATEMENT OF FINANCIAL POSITION					
Deferred tax asset	35				
Previously stated		33	281	–	–
Mango passenger service charges adjustment		8	–	–	–
Restated balance		41	281	–	–
Non-current portion of security deposits	13				
Previously stated		–	–	–	–
Reclassification from prepayments		635	508	635	508
Reclassification from foreign bank accounts		272	57	272	57
Restated balance		907	565	907	565
Gross accounts receivable	21				
Previously stated		2 423	2 410	2 279	2 275
Reclassification to other payables		14	14	14	14
Adjustment relating to sublease transaction with Mango		(11)	–	(11)	–
Restated balance		2 426	2 424	2 282	2 289
Prepayments	21				
Previously stated		2 955	4 410	3 000	4 474
Reclassification to non-current portion of security deposits		(635)	(508)	(635)	(508)
Adjustment to prepaid maintenance costs		–	–	(12)	–
Reclassification from current portion of long-term loans		–	7	–	7
Adjustment relating to sublease transaction with Mango		1	–	1	–
Adjustment to prepaid aircraft lease costs		2	2	2	2
Reclassification to current portion of maintenance reserve receivable		(652)	(1 293)	(619)	(1 293)
Reclassification to current portion of security deposits		(44)	(63)	(40)	(50)
Restated balance		1 627	2 555	1 697	2 632
Current portion of maintenance reserve receivable	13				
Previously stated		–	–	–	–
Reclassification from prepayments		652	1 293	619	1 293
Restated balance		652	1 293	619	1 293

R MILLION	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016

5. RESTATEMENTS (continued)

R MILLION	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Current portion of security deposits	13				
Previously stated		–	–	–	–
Reclassification from prepayments		44	63	40	50
Restated balance		44	63	40	50
Foreign bank accounts	22				
Previously stated		2 417	1 807	2 422	1 845
Reclassification to non-current portion of security deposits		(272)	(57)	(272)	(57)
Restated balance		2 145	1 750	2 150	1 788
Accumulated loss					
Previously stated		(31 640)	(26 071)	(32 127)	(25 676)
Adjustment to previously reported loss		114	(117)	99	(111)
Prior year effect of restatements		(176)	(59)	(170)	(59)
Restated balance		(31 702)	(26 247)	(32 198)	(25 846)
Net air traffic liability SAA – short-term	16				
Previously stated		3 401	3 329	3 184	3 186
Reclassification to deferred revenue collected on behalf of franchise and interline partners		(587)	(686)	(587)	(686)
Reclassification from ticket tax accruals		1 067	1 249	1 067	1 249
Restated balance		3 881	3 892	3 664	3 749
Net air traffic liability franchise partners – short-term	16				
Previously stated		381	305	381	305
Reclassification to deferred revenue collected on behalf of franchise and interline partners		(381)	(305)	(381)	(305)
Restated balance		–	–	–	–
Deferred revenue collected on behalf of franchise and interline partners	25				
Previously stated		–	–	–	–
Reclassification from net air traffic liability SAA – short-term		587	686	587	686
Reclassification from net air traffic liability franchise partners – short-term		381	305	381	305
Reclassification from ticket tax accruals		393	396	393	396
Restated balance		1 361	1 387	1 361	1 387
Ticket tax accruals	25				
Previously stated		2 827	2 729	2 731	2 632
Mango passenger service charges adjustment		(6)	(5)	–	–
Reclassification to net air traffic liability SAA – short-term		(1 067)	(1 249)	(1 067)	(1 249)
Reclassification to deferred revenue collected on behalf of franchise and interline partners		(393)	(396)	(393)	(396)
Restated balance		1 361	1 079	1 271	987
Other payables	25				
Previously stated		2 908	1 865	2 744	1 681
Adjustment to maintenance accruals		51	142	51	142
Mango passenger service charges adjustment		17	11	–	–
Reclassification from gross accounts receivable		14	14	14	14
Adjustment relating to under accrual of sundry income		(53)	(28)	(53)	(28)
Adjustment to maintenance reserve accruals		53	58	53	58
Restated balance		2 990	2 062	2 809	1 867

R MILLION	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
5. RESTATEMENTS (continued)					
Current portion of long-term loans	24				
Previously stated		8 140	6 248	8 133	6 243
Reclassification to prepayments		–	7	–	7
Restated balance		8 140	6 255	8 133	6 250
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Passenger revenue	6				
Previously stated		19 653	19 241	17 610	17 212
Mango passenger service charges adjustment		22	–	–	–
Restated amount		19 675	19 241	17 610	17 212
Technical services	6				
Previously stated		705	775	269	293
Reclassification to other recoveries		–	–	(268)	(287)
Restated amount		705	775	1	6
Other airline revenue adjustments	6				
Previously stated		(522)	(304)	(522)	(304)
Reclassification from other recoveries		18	17	18	17
Restated amount		(504)	(287)	(504)	(287)
Other recoveries	7				
Previously stated		1 184	1 215	1 099	1 171
Mango passenger service charges adjustment		(1)	(5)	–	–
Reclassification from technical services		–	–	268	287
Reclassification to other airline revenue adjustments		(18)	(17)	(18)	(17)
Adjustment relating to sublease transaction with Mango		–	–	55	–
Adjustment relating to under accrual of sundry income		25	28	25	28
Restated amount		1 190	1 221	1 429	1 469
Aircraft lease costs	8				
Previously stated		3 103	3 132	3 022	3 078
Adjustment to prepaid aircraft lease costs		–	(2)	–	(2)
Restated amount		3 103	3 130	3 022	3 076
Accommodation and refreshments					
Previously stated		1 413	1 279	1 715	1 566
Mango passenger service charges adjustment		–	1	–	–
Restated amount		1 413	1 280	1 715	1 566
Maintenance costs					
Previously stated		4 895	4 167	6 198	5 368
Mango passenger service charges adjustment		1	–	–	–
Adjustment to prepaid maintenance costs		–	–	12	–
Adjustment to maintenance accruals		(91)	142	(91)	142
Adjustment relating to sublease transaction with Mango		10	–	65	–
Adjustment to maintenance reserve accruals		(5)	(1)	(5)	(1)
Restated amount		4 810	4 308	6 179	5 509

R MILLION	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016

5. RESTATEMENTS (continued)

R MILLION	Notes	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Other operating costs					
Previously stated		4 497	4 379	3 886	3 745
Mango passenger service charges adjustment		26	–	–	–
Restated amount		4 523	4 379	3 886	3 745
Deferred tax – current year	34				
Previously stated		(219)	(98)	–	–
Mango passenger service charges adjustment		9	–	–	–
Restated amount		(210)	(98)	–	–
Loss for the year					
Previously stated		(5 569)	(1 478)	(6 451)	(1 314)
Net result of the above adjustments		114	(117)	99	(111)
Restated loss		(5 455)	(1 595)	(6 352)	(1 425)

6. AIRLINE REVENUE

R MILLION	Notes	GROUP 2018	GROUP 2017 Restated*	GROUP 2016 Restated*	COMPANY 2018	COMPANY 2017 Restated*	COMPANY 2016 Restated*
The analysis of airline revenue for the year is as follows:							
Passenger revenue	5	**19 088**	19 675	19 241	**16 759**	17 610	17 212
Freight and mail		**1 775**	1 794	1 776	**1 773**	1 791	1 775
Technical services	5	**583**	705	775	**2**	1	6
Voyager income	16	**646**	813	867	**646**	813	867
Commission received		**33**	39	71	**32**	37	65
Release from prescribed tickets		**752**	559	815	**752**	559	815
Fuel levies		**5 407**	6 232	6 032	**5 407**	6 232	6 032
Other airline revenue adjustments*	5	**(164)**	(504)	(287)	**(164)**	(504)	(287)
		28 120	29 313	29 290	**25 207**	26 539	26 485

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

7. OTHER INCOME

R MILLION	Notes	GROUP 2018	GROUP 2017 Restated*	GROUP 2016 Restated*	COMPANY 2018	COMPANY 2017 Restated*	COMPANY 2016 Restated*
Other income is made up of the following items:							
Handling fees		**190**	191	148	**52**	69	52
Income from leased assets		**59**	94	80	**286**	362	405
Other recoveries*	5	**1 044**	1 190	1 221	**1 205**	1 429	1 469
		1 293	1 475	1 449	**1 543**	1 860	1 926

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

R MILLION	Notes	GROUP 2018	GROUP 2017 Restated*	GROUP 2016 Restated*	COMPANY 2018	COMPANY 2017 Restated*	COMPANY 2016 Restated*
8. OPERATING LOSS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION							
Operating loss before interest, tax, depreciation and amortisation is stated after taking into account among others, the following:							
OPERATING LEASE PAYMENTS							
Aircraft	5	**3 333**	3 103	3 130	**3 141**	3 022	3 076
Buildings		**114**	128	117	**95**	104	97
Equipment and vehicles		**34**	34	40	**29**	29	28
Total operating lease payments		**3 481**	3 265	3 287	**3 265**	3 155	3 201

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
AUDITORS' REMUNERATION				
Audit fees – current year	**43**	16	**32**	13
Total auditors' remuneration	**43**	16	**32**	13

Directors' emoluments and executive management emoluments are disclosed in Note 49.

R MILLION	Notes	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
9. DEPRECIATION AND AMORTISATION					
Aircraft and simulators		**(602)**	(853)	**(590)**	(841)
Buildings and structures		**(47)**	(45)	**(20)**	(18)
Machinery, equipment and furniture		**(69)**	(76)	**(46)**	(53)
Vehicles and cabin loaders		**(14)**	(16)	**(5)**	(5)
Total depreciation	12	**(732)**	(990)	**(661)**	(917)
Amortisation of intangible assets	37	**(43)**	(43)	**(31)**	(36)
Total depreciation and amortisation		**(775)**	(1 033)	**(692)**	(953)

Can't merge tables and maintain golden rule dividing each note

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
10. NET (LOSS)/GAIN ON DISPOSAL OF PROPERTY, AIRCRAFT AND EQUIPMENT				
Net (loss)/gain on disposal of property, aircraft and equipment comprises the following:				
Profit on disposal of property, aircraft and equipment	**–**	24	**62**	21
Loss on disposal of property, aircraft and equipment	**(43)**	(17)	**(36)**	(3)
	(43)	7	**26**	18

R MILLION	Notes	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
11. IMPAIRMENTS					
Impairment of loans and receivables held at amortised cost					
Impairment of accounts receivable		**(39)**	(24)	**(40)**	(28)
Impairment of other assets					
Reversal of impairment/(impairment) of investments in subsidiaries	43	**–**	–	**380**	(696)
Reversal of impairment/(impairment) of loans to subsidiaries	44	**–**	–	**181**	(182)
Impairment of aircraft	12	**(135)**	–	**(135)**	–
(Impairment)/reversal of impairment arising from write-down of inventory to net realisable value	38	**(81)**	50	**–**	–
Impairment of cash neutrality advance to South African Express SOC Limited		**(313)**	–	**(313)**	–
		(568)	26	**73**	(906)

R MILLION	2018 Cost/ valuation	2018 Accumulated depreciation/ impairment	2018 Carrying value	2017 Cost/ valuation	2017 Accumulated depreciation/ impairment	2017 Carrying value
12. PROPERTY, AIRCRAFT AND EQUIPMENT						
GROUP						
Land	**687**	**–**	**687**	687	–	687
Buildings and structures	**1 432**	**(174)**	**1 258**	1 428	(126)	1 302
Machinery, equipment and furniture	**879**	**(595)**	**284**	887	(543)	344
Vehicles and cabin loaders	**131**	**(91)**	**40**	147	(99)	48
Aircraft and simulators	**10 938**	**(9 236)**	**1 702**	11 299	(9 155)	2 144
Containers	**30**	**(30)**	**–**	30	(30)	–
Capital work in progress	**320**	**–**	**320**	49	–	49
Total	**14 417**	**(10 126)**	**4 291**	14 527	(9 953)	4 574
COMPANY						
Land	**299**	**–**	**299**	299	–	299
Buildings and structures	**686**	**(136)**	**550**	682	(115)	567
Machinery, equipment and furniture	**403**	**(273)**	**130**	382	(240)	142
Vehicles and cabin loaders	**47**	**(32)**	**15**	48	(28)	20
Aircraft and simulators	**10 724**	**(9 131)**	**1 593**	11 176	(9 116)	2 060
Containers	**29**	**(29)**	**–**	29	(29)	–
Capital work in progress	**219**	**–**	**219**	26	–	26
Total	**12 407**	**(9 601)**	**2 806**	12 642	(9 528)	3 114

12. PROPERTY, AIRCRAFT AND EQUIPMENT (continued)

R MILLION	Land	Buildings and structures	Machinery, equipment and furniture	Vehicles and cabin loaders	Aircraft and simulators	Containers	Capital work in progress	Total
GROUP								
Reconciliation								
Opening balance	625	1 241	271	65	2 182	–	90	4 474
Additions	–	5	82	7	449	–	454	997
Disposals	–	(11)	(7)	(8)	(12)	–	–	(38)
Transfers	–	1	74	–	378	–	(495)	(42)
Revaluations	62	111	–	–	–	–	–	173
Depreciation	–	(45)	(76)	(16)	(853)	–	–	(990)
Balance at 31 March 2017	687	1 302	344	48	2 144	–	49	4 574
Opening balance	**687**	**1 302**	**344**	**48**	**2 144**	**–**	**49**	**4 574**
Additions	**–**	**2**	**28**	**8**	**212**	**–**	**376**	**626**
Disposals	**–**	**–**	**(2)**	**(2)**	**(38)**	**–**	**–**	**(42)**
Transfers	**–**	**1**	**(17)**	**–**	**121**	**–**	**(105)**	**–**
Depreciation	**–**	**(47)**	**(69)**	**(14)**	**(602)**	**–**	**–**	**(732)**
Impairment loss	**–**	**–**	**–**	**–**	**(135)**	**–**	**–**	**(135)**
Balance at 31 March 2018	**687**	**1 258**	**284**	**40**	**1 702**	**–**	**320**	**4 291**
COMPANY								
Reconciliation								
Opening balance	271	549	149	20	2 101	–	56	3 146
Additions	–	4	4	5	435	–	437	885
Disposals	–	(7)	(6)	–	(12)	–	–	(25)
Transfers	–	–	48	–	377	–	(467)	(42)
Revaluations	28	39	–	–	–	–	–	67
Depreciation	–	(18)	(53)	(5)	(841)	–	–	(917)
Balance at 31 March 2017	299	567	142	20	2 060	–	26	3 114
Opening balance	**299**	**567**	**142**	**20**	**2 060**	**–**	**26**	**3 114**
Additions	**–**	**2**	**23**	**–**	**210**	**–**	**327**	**562**
Disposals	**–**	**–**	**(1)**	**–**	**(73)**	**–**	**–**	**(74)**
Transfers	**–**	**1**	**12**	**–**	**121**	**–**	**(134)**	**–**
Depreciation	**–**	**(20)**	**(46)**	**(5)**	**(590)**	**–**	**–**	**(661)**
Impairment loss	**–**	**–**	**–**	**–**	**(135)**	**–**	**–**	**(135)**
Balance at 31 March 2018	**299**	**550**	**130**	**15**	**1 593**	**–**	**219**	**2 806**

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

Certain aircraft are held under suspensive sale agreements with title only passing to SAA once all obligations to the seller have been settled and the seller in turn has settled all its obligations under a finance lease. These events are expected to occur simultaneously.

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

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

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017

12. PROPERTY, AIRCRAFT AND EQUIPMENT (continued)

Asset and disposal groups classified as held-for-sale are as follows:

NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE				
Carrying value of land and buildings classified as held-for-sale	**99**	99	**99**	99
	99	99	**99**	99

The period to complete the sale has extended beyond one year due to events and circumstances beyond SAA's control. However, SAA remains committed to the plan to sell the asset and has therefore retained the classification of held-for-sale.

R MILLION	Notes	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated

13. AIRCRAFT AND OTHER DEPOSITS

Current portion of maintenance reserve receivable	5	**263**	652	1 293	**200**	619	1 293
Current portion of security deposits	5	**137**	44	63	**115**	40	50
Total current aircraft and other deposits		**400**	696	1 356	**315**	659	1 343

In accordance with the accounting policy, in the event that it is unlikely that the underlying aircraft will be purchased at the expected delivery date, but will be leased under an operating lease, the related PDPs will be transferred to receivables. The amount above represents the long-term portion of such PDPs. The non-current portion of security deposits, relates to the portion of security deposits paid on aircraft leases, whose lease term will expire more than 12 months after year end. Leases that expire within 12 months of the year-end are shown as current security deposits. Also included in non-current security deposits are security deposits paid to credit card companies as Passenger Protection Guarantees for customers that book their tickets using a credit card, this balance is also expected to be long-term in nature. Non-current maintenance reserves receivable represent amounts that will be received in a period exceeding 12 months, amounts receivable within 12 months after year-end are shown as current assets.

Included in aircraft and other deposits are amounts in respect of maintenance payments made to lessors. Below is an analysis of the movements in this balance over the past few financial years.

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Maintenance reserve opening balance	**2 429**	2 907	**2 329**	2 907
Claims received	**(704)**	(767)	**(704)**	(767)
Maintenance reserves expensed	**(697)**	(102)	**(697)**	(102)
Maintenance reserves paid	**923**	649	**739**	549
Currency revaluation	**(273)**	(258)	**(273)**	(258)
Less: Current portion	**(263)**	(652)	**(200)**	(619)
Non-current portion of maintenance reserve receivable	**1 415**	1 777	**1 194**	1 710

Included in aircraft and other deposits are amounts in respect of security deposits paid to aircraft lessors and credit card companies. Below is an analysis of the movements in this balance over the past few financial years.

R MILLION	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated
Security deposits opening balance	**951**	628	526	**947**	615	523
Security deposits received back from lessor	**(42)**	(62)	(71)	**(42)**	(53)	(71)
Security deposits paid	**171**	484	79	**153**	484	69
Finance income earned	**12**	1	–	**12**	1	–
Currency revaluation	**(109)**	(100)	94	**(109)**	(100)	94
Less: current portion	**(137)**	(44)	(63)	**(115)**	(40)	(50)
Non-current portion of security deposits	**846**	907	565	**846**	907	565

R MILLION	GROUP AND COMPANY Jet fuel options	Currency derivatives	Total
14. DERIVATIVES			
Assets	25	9	34
Liabilities	–	(1)	(1)
Fair value at 1 April 2017	25	8	33
Amounts spent on premiums	**–**	**22**	**22**
Fair value movements for the year ended 31 March 2018	**(25)**	**(28)**	**(53)**
Fair value at 31 March 2018	**–**	**2**	**2**
Assets	**–**	**2**	**2**
	–	**2**	**2**

R MILLION	Provision for lease liabilities[(1)]	Other provisions[(2)]	Total
15. PROVISIONS			
GROUP			
Reconciliation			
Opening balance	1 747	1 957	3 704
Additions	2 102	184	2 286
Utilised during the year	(693)	(108)	(801)
Reversed during the year	(1 066)	(554)	(1 620)
Unwinding of the discount	70	–	70
Currency revaluation	(216)	1	(215)
Balance at 31 March 2017	1 944	1 480	3 424
Current portion	753	343	1 096
Non-current portion	1 191	1 137	2 328
	1 944	1 480	3 424
Opening balance	**1 944**	**1 480**	**3 424**
Additions	**3 489**	**154**	**3 643**
Utilised during the year	**(2 661)**	**(1)**	**(2 662)**
Reversed during the year	**(102)**	**(58)**	**(160)**
Unwinding of the discount	**78**	**–**	**78**
Currency revaluation	**(567)**	**–**	**(567)**
Balance at 31 March 2018	**2 181**	**1 575**	**3 756**
Current portion	**621**	**428**	**1 049**
Non-current portion	**1 560**	**1 147**	**2 707**
	2 181	**1 575**	**3 756**

R MILLION	Provision for lease liabilities[1]	Other provisions[2]	Total

15. PROVISIONS (continued)

COMPANY

Reconciliation

R MILLION	Provision for lease liabilities[1]	Other provisions[2]	Total
Opening balance	1 738	1 943	3 681
Additions	2 014	184	2 198
Utilised during the year	(693)	(108)	(801)
Reversed during the year	(1 066)	(554)	(1 620)
Unwinding of the discount	70	–	70
Currency revaluation	(220)	1	(219)
Balance at 31 March 2017	1 843	1 466	3 309
Current portion	652	343	995
Non-current portion	1 191	1 123	2 314
	1 843	1 466	3 309
Opening balance	**1 843**	**1 466**	**3 309**
Additions	**3 469**	**154**	**3 623**
Utilised during the year	**(2 661)**	**(1)**	**(2 662)**
Reversed during the year	**(102)**	**(58)**	**(160)**
Unwinding of the discount	**78**	**–**	**78**
Currency revaluation	**(567)**	**–**	**(567)**
Balance at 31 March 2018	**2 060**	**1 561**	**3 621**
Current portion	**500**	**428**	**928**
Non-current portion	**1 560**	**1 133**	**2 693**
	2 060	**1 561**	**3 621**

(1) For aircraft held under operating lease agreements, the Group is contractually committed either to return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the airframe, engines and life-limited parts upon return. In order to fulfill such conditions of the lease, maintenance in the form of major airframe overhaul, engine maintenance checks and restitution of major life-limited parts, is required to be performed during the period of the lease and upon return of the aircraft to the lessor. The estimated airframe and engine maintenance costs and the costs associated with the restitution of major life-limited parts, are accrued and charged to profit or loss over the lease term for this contractual obligation.

(2) Other provisions include, but are not limited to, amounts set aside to settle claims against the Group/company arising in the course of its operations. Further information regarding individual claim amounts has not been provided as this may prejudice the Group/company in its ongoing litigation.

		GROUP			COMPANY		
R MILLION	Notes	2018	2017 Restated	2016 Restated	2018	2017 Restated	2016 Restated

16. DEFERRED REVENUE ON TICKET SALES

R MILLION	Notes	Group 2018	Group 2017 Restated	Group 2016 Restated	Company 2018	Company 2017 Restated	Company 2016 Restated
Frequent flyer deferred revenue – long-term		**678**	668	633	**678**	668	633
Net air traffic liability SAA – short-term	5	**3 316**	3 881	3 892	**3 101**	3 664	3 749
Frequent flyer deferred revenue – short-term		**474**	493	578	**474**	493	578
		3 790	4 374	4 470	**3 575**	4 157	4 327

AIR TRAFFIC LIABILITY

This balance represents the unrealised income resulting from tickets and air waybills sold but not yet utilised. The balance includes the value of coupons sold by SAA, which will be flown and claimed in future periods. The liability is of a short-term nature and is reflected as a current liability.

FREQUENT FLYER DEFERRED REVENUE

Deferred revenue relates to the frequent flyer programme and represents the fair value of the outstanding credits. Revenue is recognised when SAA fulfils its obligations by supplying free or discounted goods or services on the redemption of award credits. Refer to Notes 1 and 4 for more information.

R MILLION	GROUP 2018	GROUP 2017 Restated	COMPANY 2018	COMPANY 2017 Restated
17. COMMITMENTS				
AUTHORISED CAPITAL EXPENDITURE				
Property, aircraft and equipment	**125**	183	**108**	156
Total approved capital expenditure not contracted	**125**	183	**108**	156
This committed expenditure relates to property, aircraft and equipment and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures and other sources of funding.				
Operating leases – as lessee (expense)				
Operating lease commitments for property, aircraft, equipment and vehicles are expected to be incurred as follows:				
– within one year	**2 629**	3 242	**2 455**	3 149
– in second to fifth year inclusive	**7 392**	9 669	**7 083**	9 458
– later than five years	**5 196**	7 277	**5 196**	7 277
	15 217	20 188	**14 734**	19 884
Included in the operating lease commitments above are the following US$ based lease commitments. Currency risks associated with these commitments are not hedged. The table below sets out the foreign denominated lease commitments.				
Uncovered lease commitments (US$ million)				
– within one year	**220**	231	**206**	224
– in second to fifth year inclusive	**620**	721	**594**	705
– later than five years	**438**	543	**438**	543
	1 278	1 495	**1 238**	1 472
Operating leases – as lessor (income)				
Operating lease income on leased assets are expected to be received as follows:				
– within one year	**5**	6	**88**	189
– in second to fifth year inclusive	**20**	22	**22**	343
– later than five years	**12**	16	**12**	16
	37	44	**122**	548

R MILLION	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated

18. CASH (USED IN)/GENERATED FROM OPERATIONS

R MILLION	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated
Loss before taxation	**(5 375)**	(5 245)	(1 495)	**(5 015)**	(6 352)	(1 425)
Adjustments for:						
Depreciation and amortisation on property, aircraft and equipment	**732**	990	697	**661**	917	627
Net loss/(gain) on disposal of property, aircraft and equipment	**43**	(7)	6	**(26)**	(18)	2
Amortisation of intangible assets	**43**	43	35	**31**	36	29
Impairment of aircraft	**135**	–	–	**135**	–	–
(Reversal of impairment)/impairment of loans to subsidiaries	**–**	–	–	**(181)**	182	(1)
Derivative market movements	**33**	67	(57)	**33**	67	(57)
(Reversal of impairment)/impairment of investments in subsidiaries	**–**	–	–	**(380)**	696	90
Interest income	**(87)**	(40)	(26)	**(50)**	(12)	(11)
Finance costs	**1 472**	1 630	1 030	**1 473**	1 663	1 063
Release from air traffic liability	**(411)**	(380)	(396)	**(411)**	(380)	(396)
Movement in employee benefit obligations	**(8)**	(7)	37	**(8)**	(7)	37
Impairment of accounts receivable	**39**	24	14	**40**	28	9
Non-cash movement on retirement benefit plans	**1**	(11)	(6)	**1**	(11)	(6)
Release from passenger tax levies	**(341)**	(178)	(418)	**(341)**	(178)	(418)
Non-cash movement on shareholder restructuring fund	**–**	(7)	(119)	**–**	(7)	(119)
Unrealised foreign exchange loss/(gain) on cash and cash equivalents	**442**	(19)	64	**442**	(21)	66
Movement in retirement benefit asset	**4**	12	–	**4**	12	–
Tax paid in foreign jurisdictions	**12**	7	16	**12**	7	16
Changes in working capital:						
Aircraft and other deposits	**719**	421	(1 611)	**921**	512	(1 598)
Movement in engine power by the hour liability	**(110)**	253	–	**(110)**	253	–
Transfer from intangible assets to sundry debtors	**–**	10	–	**–**	10	–
Movement in interest accrual on long-term loans	**(25)**	(25)	38	**(25)**	(25)	38
Inventories	**(184)**	(152)	(2)	**(20)**	–	20
Trade and other receivables	**678**	852	100	**821**	941	(24)
Trade and other payables	**917**	1 708	(54)	**535**	2 007	(28)
Air traffic liability	**(154)**	369	1 307	**(152)**	295	1 339
Frequent flyer deferred revenue	**(9)**	(50)	(113)	**(9)**	(50)	(113)
Provisions	**332**	(280)	1 050	**312**	(372)	1 035
	(1 102)	(15)	97	**(1 307)**	193	175

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

19 FINANCE COSTS

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
The interest paid related to financial liabilities held at amortised cost is detailed below:				
Interest paid on borrowings	**(1 278)**	(1 356)	**(1 278)**	(1 356)
Interest paid on overdraft	**(194)**	(274)	**(177)**	(265)
Other interest paid	**–**	–	**(18)**	(42)
	(1 472)	(1 630)	**(1 473)**	(1 663)

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
20. INTEREST INCOME				
Interest received was derived from:				
Cash and bank balances	**71**	35	**34**	7
Loans and receivables	**16**	5	**16**	5
	87	40	**50**	12

R MILLION	Notes	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated
21. TRADE AND OTHER RECEIVABLES							
Gross accounts receivable	5	**2 604**	2 426	2 424	**2 425**	2 282	2 289
Allowance for impairment		**(109)**	(85)	(103)	**(97)**	(72)	(84)
		2 495	2 341	2 321	**2 328**	2 210	2 205
Prepayments	5	**885**	1 627	2 555	**854**	1 697	2 632
Foreign exchange differences on trade and other receivables		**(89)**	40	8	**(103)**	18	(25)
		3 291	4 008	4 884	**3 079**	3 925	4 812

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Reconciliation of impairment of trade and other receivables				
Opening balance	**(85)**	(103)	**(72)**	(84)
Impairments	**(39)**	(24)	**(40)**	(28)
Amounts utilised for write-offs	**15**	21	**15**	19
Amounts moved to provisions	**–**	21	**–**	21
Closing balance	**(109)**	(85)	**(97)**	(72)

The trade receivables portfolio impairment loss relates to:

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

R MILLION	Gross amount	Current not yet past due	Past due but not impaired	Impaired amount

21. TRADE AND OTHER RECEIVABLES (continued)

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

R MILLION	Gross amount	Current not yet past due	Past due but not impaired	Impaired amount
GROUP – 2018				
BSP	**1 237**	**950**	**273**	**14**
Credit card	**246**	**136**	**94**	**16**
GSA	**252**	**93**	**153**	**6**
Stations	**6**	**(6)**	**–**	**12**
Cargo freight and mail	**287**	**127**	**139**	**21**
Airline catering	**14**	**10**	**3**	**1**
Travel services	**2**	**2**	**–**	**–**
Technical maintenance	**127**	**61**	**55**	**11**
Alliance partners	**163**	**149**	**14**	**–**
Voyager	**41**	**41**	**–**	**–**
Other trade debtors	**229**	**177**	**24**	**28**
	2 604	**1 740**	**755**	**109**
COMPANY – 2018				
BSP	**1 237**	**950**	**273**	**14**
Credit card	**246**	**136**	**94**	**16**
GSA	**252**	**93**	**153**	**6**
Stations	**6**	**(6)**	**–**	**12**
Cargo freight and mail	**287**	**127**	**139**	**21**
Alliance partners	**163**	**149**	**14**	**–**
Voyager	**41**	**41**	**–**	**–**
Other trade debtors	**193**	**141**	**24**	**28**
	2 425	**1 631**	**697**	**97**
GROUP – 2017				
Restated				
BSP	1 108	969	120	19
Credit card	313	276	23	14
GSA	205	153	51	1
Stations	14	3	2	9
Cargo freight and mail	259	231	24	4
Airline catering	12	7	4	1
Travel services	3	3	–	–
Technical maintenance	126	89	25	12
Alliance partners	145	130	15	–
Voyager	41	41	–	–
Default debtors	25	–	–	25
Other trade debtors	175	153	22	–
	2 426	2 055	286	85
COMPANY – 2017				
Restated				
BSP	1 108	969	120	19
Credit card	313	276	23	14
GSA	205	153	51	1
Stations	14	3	2	9
Cargo freight and mail	259	231	24	4
Alliance partners	145	130	15	–
Voyager	41	41	–	–
Default debtors	25	–	–	25
Other trade debtors	172	150	22	–
	2 282	1 953	257	72

R MILLION	GROUP 2018	GROUP 2017 Restated	COMPANY 2018	COMPANY 2017 Restated
21. TRADE AND OTHER RECEIVABLES (continued)				
Past due but not impaired can be analysed further in terms of ageing as follows:				
30 to 60 days	**149**	120	**130**	114
61 to 90 days	**155**	44	**150**	40
91 to 120 days	**450**	122	**417**	103
+120 days	**1**	–	**–**	–
	755	286	**697**	257
Credit quality of trade and other receivables				
Trade receivables can be analysed based on historical collections performance as follows:				
Trade receivables				
Trade debtors with no history of default	**1 647**	1 997	**1 591**	1 900
Trade debtors where there have been isolated instances of default but no loss suffered	**93**	58	**40**	53
	1 740	2 055	**1 631**	1 953

COLLATERAL HELD

BSP debtors are credit-vetted by IATA, which holds a guarantee appropriate to the level of risk identified. Should an agent be in default with IATA, the guarantee is encashed and apportioned between the creditor airlines. SAA holds additional guarantees of R69 million (2017: R86 million) in respect of local GSA debtors and R153 million (2017: R117 million) in respect of Cargo debtors and Cargo GSAs, there were no significant changes in the quality of the collateral during the current financial year.

R MILLION	Notes	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated
22. CASH AND CASH EQUIVALENTS							
Cash and cash equivalents consist of:							
Foreign bank accounts	5	**1 359**	2 145	1 750	**1 417**	2 150	1 788
Domestic bank accounts		**288**	455	717	**(80)**	62	22
Short-term investments – call deposits (US$ and EURO denominated)		**–**	–	177	**–**	–	177
Total cash and cash equivalents		**1 647**	2 600	2 644	**1 337**	2 212	1 987

Cash and cash equivalents consist of cash on hand, balances with banks and short-term deposits which can be accessed within 3 months at most. Cash and cash equivalents included in the statement of cash flows are as detailed above.

Included in cash and cash equivalents above is restricted cash to the value of R1 675 million (2017: R1 688 million). Of this restricted cash, R687 million (2017: R1 084 million) relates to blocked cash. According to IATA funds are deemed to be blocked when repatriations have not been possible for a period of two months, due to for instance, Exchange Control Regulations, shortages of foreign currency, tax laws or the obligatory submission of documentary evidence of monthly activities required by some foreign countries. Countries currently deemed blocked due to the aforementioned restrictions are Angola, Nigeria, Zimbabwe, Senegal and Ivory Coast. The balance of the restricted cash relates to funds held at outstations that are not readily available, however the outstations will transfer surplus funds (net of working capital requirements) at regular intervals, depending on banking infrastructure and country regulations in terms of repatriation of sales receipts.

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
23. BANK OVERDRAFT				
Domestic bank overdrafts	**828**	684	**828**	663

All of the above overdraft facilities are reviewed annually and accrue interest at floating rates. The total available overdraft facility at year end was R830 million (2017: R830 million).

R MILLION	Notes	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated

24. LONG-TERM LOANS

R MILLION	Notes	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated
Secured loans							
External loans		**8 448**	15 944	14 065	**8 444**	15 933	14 050
The loans are repayable as follows:							
On demand or within one year	5	**7 662**	8 140	6 255	**7 659**	8 133	6 250
Two to five years		**786**	6 304	6 310	**785**	6 300	6 300
Later than five years		**–**	1 500	1 500	**–**	1 500	1 500
		8 448	15 944	14 065	**8 444**	15 933	14 050
Less: Current portion	5	**(7 662)**	(8 140)	(6 255)	**(7 659)**	(8 133)	(6 250)
		786	7 804	7 810	**785**	7 800	7 800
The carrying amounts of long-term loans are denominated in the following currencies:							
Rand denominated domestic loans*		**8 448**	15 944	14 065	**8 444**	15 933	14 050
		8 448	15 944	14 065	**8 444**	15 933	14 050

* *The domestic loans bear interest at JIBAR plus a margin ranging from 1,5% to 6,5% and are secured by Shareholder guarantee.*

25. TRADE AND OTHER PAYABLES

R MILLION	Notes	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated
Trade payables		**2 065**	1 601	1 345	**1 838**	1 606	1 370
Payroll accruals		**941**	949	858	**692**	705	669
Deferred revenue collected on behalf of franchise and interline partners*	5	**1 407**	1 361	1 387	**1 407**	1 361	1 387
Ticket tax accruals	5	**1 188**	1 361	1 079	**1 082**	1 271	987
Other payables**	5	**3 237**	2 990	2 062	**2 797**	2 809	1 867
		8 838	8 262	6 731	**7 816**	7 752	6 280

* *This balance represents the unrealised income resulting from tickets sold but not yet utilised. The balance relates to the value of coupons sold on the "083" code, which will be utilised in future periods by code-share, interline and franchise partners. The liability is of a short-term nature and is reflected as a current liability.*

** *Other payables comprise accruals processed in the normal course of business.*

26. FINANCIAL LIABILITIES BY CATEGORY

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

R MILLION	Notes	Financial liabilities at amortised cost	Fair value through profit or loss held-for-trading**	Total
GROUP – 2018				
Long- and short-term liabilities	24	**8 448**	–	**8 448**
Shareholder loan to share trust	31	**63**	–	**63**
Trade and other payables	25	**4 963**	–	**4 963**
Bank overdraft	23	**828**	–	**828**
Engine power by the hour liability	31	**143**	–	**143**
		14 445	–	**14 445**

R MILLION	Notes	Financial liabilities at amortised cost	Fair value through profit or loss held-for-trading**	Total

26. FINANCIAL LIABILITIES BY CATEGORY (continued_

R MILLION	Notes	Financial liabilities at amortised cost	Fair value through profit or loss held-for-trading**	Total
GROUP – 2017				
Restated*				
Long- and short-term liabilities	24	15 944	–	15 944
Shareholder loan to share trust	31	63	–	63
Trade and other payables	25	4 601	–	4 601
Bank overdraft	23	684	–	684
Currency derivatives	14	–	1	1
Engine power by the hour liability	31	253	–	253
		21 545	1	21 546

* Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.

** Financial instruments held at fair value are level two instruments. A separate analysis has not been provided for the company, as the numbers do not differ significantly from the Group numbers.

27. FINANCIAL ASSETS BY CATEGORY

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

R MILLION	Notes	Loans and receivables	Fair value through profit or loss held-for-trading**	Available-for-sale	Total
GROUP – 2018					
Currency derivatives	14	**–**	**2**	**–**	**2**
Trade and other receivables	21	**3 270**	**–**	**–**	**3 270**
Cash and cash equivalents	22	**1 647**	**–**	**–**	**1 647**
Investment in SA Airlink (Pty) Limited	46	**–**	**–**	**35**	**35**
Non-current aircraft and other deposits	13	**2 261**	**–**	**–**	**2 261**
Current aircraft and other deposits	13	**400**	**–**	**–**	**400**
		7 578	**2**	**35**	**7 615**
GROUP – 2017					
Restated*					
Currency derivatives	14	–	9	–	9
Jet fuel options	14	–	25	–	25
Trade and other receivables	21	3 899	–	–	3 899
Cash and cash equivalents	22	2 600	–	–	2 600
Investment in SA Airlink (Pty) Limited	46	–	–	29	29
Non-current aircraft and other deposits	13	2 684	–	–	2 684
Current aircraft and other deposits	13	696	–	–	696
		9 879	34	29	9 942

* Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.

** Financial instruments held at fair value are level two instruments. A separate analysis has not been provided for the company, as the numbers do not differ significantly from the Group numbers.

28. RISK MANAGEMENT

28.1 Financial instruments categories

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

INVESTMENT IN UNLISTED SHARES CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS

The investment in the unlisted shares is held as an ancillary investment and is not considered a material holding to the Group. The value of the shares was impaired to zero but in previous financial years the impairment was reversed by a total of R29 million. There was a further reversal of R6 million in the current financial year. The investment is classified as a level 3 financial instrument. A valuation of the investment was conducted during the year on the net asset value and based on the results of SA Airlink's latest audited financial statements. The impairment has been reversed limited to SAA's 2,95 percent shareholding in SA Airlink.

DERIVATIVE ASSETS AND LIABILITIES

The derivative assets and liabilities are entered into to manage Group exposure to foreign currency, interest rates and jet fuel price risks. The Group derivatives may include fixed contracts, vanilla European and Asian options, swaps, call spreads and collars, which are entered into mainly to manage foreign currency exchange risk and jet fuel price risk. The fair values of the derivative instruments are determined based on observable inputs into valuation models.

Foreign currency forward contracts are mainly entered into to manage foreign currency exchange risk and are measured using the quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

All other financial assets and liabilities are measured at amortised cost.

Fixed swaps are valued using a simple discounted cash flow calculation. Asian options are valued using a combination of the Black Scholes and Black 76 formulas, where the inputs into the pricing model are the expected arithmetic average and the variance of the expected arithmetic average of the underlying. The treasury system used for the foreign currency hedges is SunGard Quantum and SunGard Kiodex for the Fuel commodity derivatives.

28.2 Governance structure

The SAA Board is charged with the responsibility of managing the airline's financial risks. It is assisted by the Audit and Risk Committee, which reviews all the financial risks of the organisation, as well as key financial decisions. The Audit and Risk Committee is a committee of the Board and it meets at least once per quarter and is supported by the Financial Risk Subcommittee (FRSC) which meets on a monthly basis. The FRSC is chaired by the Chief Financial Officer and its membership is made up of key representatives: Chief Risk Officer, Group Treasurer, Head Cash Management, Chief Dealer, Risk Manager, Financial Risk Manager, Fuel Management, Head Financial Accounting and CFOs of all the subsidiaries.

RISK MANAGEMENT SYSTEMS

SAA has implemented a Treasury risk analytical system with advanced analytics to assist SAA's Front Office in the hedging decisions in the hedging portfolios. The key for this tool is its ability to handle jet fuel price risk exposures using commodity pricing models and the aggregation of all the other risks to enable SAA to have a view of its financial risks in the treasury environment.

The capital risk and financial risk management is described below.

28.3 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of share capital and a contribution from the Shareholder. The non-distributable reserves include general reserves and government restructuring funds, which are ring fenced for funding of the Group's restructuring activities to ensure that the entity returns to profitability with financial performance metrics similar to those of its world class peers. The debt includes long-term interest bearing borrowings and short-term borrowings, including accounts payable and bank overdrafts.

The Group uses short-term investment instruments to ensure continued funding of operations.

Refer to the going concern details as disclosed in Note , which notes the concern in respect of the risk that SAA is largely undercapitalised.

AIRCRAFT AND ENGINE FINANCING

Recent aircraft financing has been conducted using a sale and leaseback mechanism as a financing transaction. This type of structure is able to limit on balance sheet debt whilst acquiring much needed assets.

28.4 Financial risk management

The fundamental objective of financial risk management at SAA is to protect and, where possible, improve on future budgeted and forecast cash flows, and the financial performance and financial position of the Group, by:

28. RISK MANAGEMENT (continued)

28.4 Financial risk management *(continued)*

- Protecting the Group from adverse market movements that manifest as financial downside for the business and endanger stakeholders (Shareholder, employees and the community) and threaten the sustainability and competitive position and reputational risk of the SAA Group in the market;
- Reducing the volatility and resultant uncertainty of operating revenues and cash flows that result from financial market volatility;
- Providing some price stability through improving the transparency of price mechanisms.

The main financial market risks faced by the Group are liquidity risk, credit risk and market risk which consist of interest rate risk, currency risk and commodity price risk.

The Board has a financial risk management policy with clearly defined objectives. This policy presents a framework and control environment that sets the limits within which management can leverage their experience and knowledge of the business together with financial risk management skills and a degree of innovation, to manage and mitigate financial risk on a day-to-day basis.

LIQUIDITY RISK

Liquidity risk is the risk that the Group does not meet its financial obligations on a cost effective and a timeous basis, and could result in reputational damage should a default occur.

The cash management and liquidity risk management processes are aimed at ensuring that the Group is managing its cash resources optimally, has sufficient funds to meet its day-to-day financial obligations, has established prudent limits on the percentage of debt that can mature in any financial year, is investing any cash surpluses in an appropriate and authorised way and has sufficient facilities in place to provide its relevant forecast liquidity requirement.

The principles for cash and liquidity management at SAA are as follows:

- Transactional banking relationships must be reviewed every five years. SAA Treasury is responsible for the recommendation of bankers through the normal tendering process within SAA and the Board will give final approval;
- All requests for the opening and closing of bank accounts and the management of bank account signatories are to be reviewed and approved by the Chief Financial Officer and the Group Treasurer;
- Prudent cash management practices must be implemented, including the use of a centralised pooled cash management bank account structure and systems, and the maintenance of minimum cash balances at operational level.

All companies within the Group are included in the cash management structure and form part of the cash and liquidity management practices of the Group.

COMMITTED FUNDING FACILITIES

SAA is dependent on funding in the form of operating leases and loans in local currency, mainly for the purchase of aircraft and aircraft components and for funding SAA's operations. The volatility of the financial markets, SAA's financial standing and the difficulties experienced by the airline industry in general affect the availability of funding to airlines. Funding can sometimes be constrained to a limited number of counterparties at any given time. The underlying risk manifests in three forms:

- SAA loses committed funding from a particular counterparty due to that counterparty defaulting on an existing funding arrangement;
- SAA is unable to secure new funding at a particular time;
- SAA loses assets deposited as security deposits, defeasance deposits, or cash collateral on funding structures.

Cash and liquidity management takes into account the medium- to long-term funding plans of SAA as developed by the Funding Committee.

28. RISK MANAGEMENT (continued)

28.4 Financial risk management *(continued)*

The following are the contractual maturities of financial liabilities based on undiscounted cash flows, excluding the impact of netting agreements and the derivative financial instruments that are out of the money at year end. The derivative financial instruments that are in the money are reflected as financial assets.

R MILLION	Carrying principal amount*	Contractual amount*	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years
GROUP – 31 MARCH 2018**								
Non-derivative financial liabilities								
ZAR denominated secured loans	**8 448**	**9 270**	**117**	**138**	**205**	**8 015**	**795**	**–**
Accounts payable	**8 838**	**8 838**	**–**	**8 838**	**–**	**–**	**–**	**–**
Shareholder loan to share trust	**63**	**63**	**–**	**–**	**–**	**–**	**63**	**–**
Total	**17 349**	**18 171**	**117**	**8 976**	**205**	**8 015**	**858**	**–**
Derivative financial instruments								
FX – currency options	**2**	**2**	**–**	**1**	**1**	**–**	**–**	**–**
Total	**2**	**2**	**–**	**1**	**1**	**–**	**–**	**–**
GROUP – Restated 31 MARCH 2017**								
Non-derivative financial liabilities								
ZAR denominated secured loans	15 944	18 033	6 612	1 748	150	299	7 713	1 511
Accounts payable	8 262	8 262	–	8 262	–	–	–	–
Shareholder loan to share trust	63	63	–	–	–	–	63	–
Total	24 269	26 358	6 612	10 010	150	299	7 776	1 511
Derivative financial instruments								
Fuel – Asian options	25	25	12	10	3	–	–	–
FX – currency options	9	9	–	4	5	–	–	–
Forward exchange contracts – liabilities	(1)	(1)	(1)	–	–	–	–	–
Total	33	33	11	14	8	–	–	–

* *The carrying principal amount excludes interest while the contractual amount includes interest. This is applicable to non-derivative financial liabilities.*

** *A separate liquidity analysis has not been provided for the company, as the numbers do not differ significantly from the Group numbers. Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

28. RISK MANAGEMENT (continued)

28.4 Financial risk management *(continued)*

OTHER RISKS

Interest rate risk

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

- Increased cash costs in an increasing interest rate environment due to the Group's floating aircraft funding structures;
- The opportunity cost of funding at a higher rate in a declining interest rate environment due to the Group's fixed funding structures;
- The bulk of the Group's interest rate exposure is as a result of US$ denominated aircraft financing structures.

This portfolio is made up of operating leases and loans. The portfolio is highly sensitive to the movement of US interest rates. The Group is continually monitoring and adjusting its fixed/floating ratio to adapt to the changing dynamics of its business operations and to protect its statement of profit or loss and other comprehensive income and statement of financial position.

The objectives of managing interest rate risk are to:

- Design appropriate funding structures (fixed versus floating, and local versus foreign currency) through the Treasury and Finance departments;
- Reduce the cost of capital;
- Minimise the effect of interest rate volatility on the Group's financing expenditure;
- Manage the ratio of floating rate exposures to fixed rate exposures;
- Obtain optimal investment returns on surplus cash, while ensuring that credit risk is managed;
- Ensure that appropriate levels of liquidity are maintained, while remaining within the guidelines set by this policy;
- Ensure efficiency by restructuring interest rate exposure as and when necessary.

The Group is exposed to changes in interest rates on floating rate debt and cash deposits. Interest rate risk on borrowings and leases is managed through determining the right balance of fixed and floating debt within the financing structure. To manage the interest rate exposure, the Group Treasury keeps a reasonable amount of foreign cash deposits to offset to some degree the finance charges. The current SAA Group policy limits the maximum interest rate exposure to fixed debt at 75 percent and floating debt at 50 percent. As at 31 March 2018, the current interest rate exposure to fixed debt is 61 percent and 39 percent in respect of floating debt. Market conditions are considered when determining the desired balance of fixed and floating rate debt. The sensitivities of the Group's floating interest rate debt and cash deposits are calculated using the annualised volatility over the last five years.

28.5 Credit risk management

Credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial market instrument where the Group is a party to the transaction or failure to service debt according to contractual terms. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness and the respective concentration risk.

The objectives of managing counterparty risk are to avoid contracting with any party that is not of an acceptable credit standing, formulate evaluation criteria of potential counterparties and implement monitoring measures and control processes for counterparty risk.

The Group is exposed to a number of types of counterparty risk as part of its normal business operations as described below:

INVESTMENT RISK

Cash balances and investments held in a range of local and offshore bank accounts, in a range of currencies, which form part of SAA's cash management and revenue collection infrastructure.

MARGINAL RISK

The Group makes use of derivative instruments in the foreign exchange, interest rate and commodity markets to mitigate the risk of adverse changes in cash flow and earnings that result from fluctuations in the financial markets. Counterparty risk arises on these derivative instruments when the hedging positions with counterparties have a positive net present value to SAA and are providing SAA with protection against adverse market movements in future. In this scenario SAA would lose the protection if the counterparty defaults on its obligation and SAA will have to replace this protection with similar hedging transactions at a higher cost. It is also important to note that, in the event that a counterparty goes into liquidation and its marginal risk position (net present value) is positive (an asset to the counterparty) with SAA, the company may be called on by the creditors of the counterparty to crystallise and settle the positions in question earlier than anticipated.

Counterparties are grouped in two major groups from a credit risk perspective:

RATED COUNTERPARTIES

Local and international banking and financial institutions, which are rated by major ratings agencies, and whose financial information is readily available.

28. RISK MANAGEMENT (continued)

28.4 Financial risk management *(continued)*

UNRATED COUNTERPARTIES

SAA needs to deal with and hold bank accounts in various locations with local banking institutions that may not be rated and for which there is very little or no financial information available. This is typically the case where there is no representation of any of the rated counterparties in such location and SAA has to use an unrated counterparty to fulfil normal operational banking requirements, or where it is agreed by the Board as a prerequisite for specific operating bases. The Group has therefore a very restricted mandate when dealing with any unrated counterparties.

The Group has operating accounts in some African countries which are not rated. The exposure to these banks is kept at a minimum.

LOANS AND RECEIVABLES CREDIT RISK

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

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

MAXIMUM EXPOSURE TO CREDIT RISK

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

	GROUP		COMPANY	
R MILLION	2018	2017 Restated*	2018	2017 Restated*
Financial instruments				
Cash and cash equivalents	**1 647**	2 600	**1 337**	2 212
Amounts receivable from subsidiaries**	**–**	–	**–**	1 212
Derivative assets held-for-trading	**2**	34	**2**	34
Trade and other receivables	**3 270**	3 899	**3 079**	3 853
Investments	**35**	29	**35**	29
Non-current aircraft and other deposits	**2 261**	2 684	**2 040**	2 617
Current aircraft and other deposits	**400**	696	**315**	659

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

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

			IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND*		
	Foreign currency amount '000	Carrying amount R'000	+32%* -32% US$ R'000	+15%* -15% EUR R'000	+20%* -20% GBP R'000
FINANCIAL INSTRUMENTS					
Accounts receivable					
31 MARCH 2018					
US$ denominated	**294 476**	**3 491 190**	**1 117 181**	**–**	**–**
EUR denominated	**20 250**	**295 080**	**–**	**44 262**	**–**
GBP denominated	**6 199**	**103 012**	**–**	**–**	**20 602**
		3 889 282	**1 117 181**	**44 262**	**20 602**

	Foreign currency amount '000	Carrying amount R'000	IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND* +30%* -30% US$ R'000	+17%* -17% EUR R'000	+19%* -19% GBP R'000
31 MARCH 2017					
US$ denominated	277 624	3 723 948	1 117 184	–	–
EUR denominated	34 387	491 329	–	83 526	–
GBP denominated	7 675	129 201	–	–	24 548
		4 344 478	1 117 184	83 526	24 548

28. RISK MANAGEMENT (continued)

28.5 Credit risk management *(continued)*

MAXIMUM EXPOSURE TO CREDIT RISK (continued)

FINANCIAL INSTRUMENTS

Accounts receivable

* *The percentages used are based on the average movement over the past four years.*

The Group does not generally charge interest on any overdue accounts, therefore the accounts receivable are mainly sensitive to movements in major foreign currencies as detailed above.

28.6 Market risk management

Market risk comprises currency risk, interest rate risk and price risk.

Set out below is the impact of market risk on the Group's annual financial statements:

CURRENCY RISK

Foreign exchange risk is the risk of loss as a result of adverse movements in currency exchange rates. The biggest contributors to currency risk for the Group are foreign revenues earned at operating unit level, aircraft financing transactions and the covariance risks inherent in the Group's revenue and cost streams. The Group's approach to foreign currency risk management is to protect itself against exchange rate volatility and adverse movements in the exchange rate of the rand in relation to other currencies that the Group is exposed to. The Board made a decision to manage its foreign exchange risk exposures on a net exposure basis, ie taking into account the different currencies it receives in its revenue stream, the different currencies in which its cost base is denominated and the underlying natural hedges that exist in its business operations. Foreign exchange risk is managed through the use of cash collection and conversion strategies and approved derivative financial instruments which are marked to market on a daily basis. The Group's policy on foreign exchange risk management is to hedge up to 75 percent of its exposure on an 18-month rolling basis.

The Group's currency risk is represented by the increased financial cost and/or cash requirements due to the net exposure between foreign revenue generated, foreign expenditure commitments and domestic revenues and expenditure commitments. The main objective of the currency risk management policy is to mitigate the potential for financial loss arising through unfavourable movements in exchange rates relative to the budget.

Foreign exchange risk will be managed on a net basis, including operating and capital exposures after taking the following into consideration:

- Source currencies for revenue and costs (US$, GBP and EUR);
- Both direct and indirect foreign exposure. Indirect foreign exposure is where SAA pays in ZAR, but the exposure is determined by using a US$ price, for example jet fuel uplifted in South Africa;
- Volatility of the rand versus US$, GBP and EUR and the correlation between these currencies;
- Foreign currency exposures are determined from the 18-month rolling ZAR and foreign cash budget. Foreign currency risk will be monitored and managed under the following principles:
  - The net foreign currency position will be monitored on a monthly basis by obtaining the net foreign currency position in all currencies from the 18-month rolling cash budget, including forecast foreign cash balances;
  - The accuracy of forecast revenues and costs are of critical importance when determining net foreign currency exposure. Management should take care to establish the levels of confidence in achieving forecast revenues and costs on an ongoing basis when designing hedging strategies;
  - The foreign versus domestic currency funding decision (loans/leases) should always consider current foreign currency risk management position and practices, since these decisions are a significant source of foreign currency exposure for the Group.

The decision to manage capital foreign currency exposures (such as leases and loans) should be combined with the business strategy, route planning and funding decisions (as appropriate), to ensure that funding and foreign currency risk management strategies are complementary to the business strategy and present the most relevant overall solution to the Group.

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

FOREIGN EXCHANGE RISK

The Group collects revenues in approximately 30 currencies other than ZAR, EUR, GBP and US$. The foreign risk of exotic currencies cannot be practically managed at the local currency level, therefore the cash management structure rolls local currency balances up into hard currency pool accounts on a weekly basis. Currency risk exposures are managed at the hard currency level, ie in US$, GBP and EUR versus ZAR.

The Group did not have any derivatives that qualified for hedge accounting in the current or prior year.

The year end exchange rates applied in the translation of the Group's foreign monetary assets and liabilities are as follows:

	2018	2017
Exchange rates used expressed in the number of rands per unit of foreign currency:		
United States dollar (US$)	**11,86**	13,41
Euro (EUR)	**14,57**	14,29
Pounds sterling (GBP)	**16,62**	16,83

	FOREIGN AMOUNT		RAND AMOUNT	
FIGURES IN MILLIONS	**2018**	**2017**	**2018**	**2017**
FOREIGN CURRENCY EXPOSURE AT STATEMENT OF FINANCIAL POSITION DATE				
The following debtors and creditors amounts included in the statement of financial position have not been covered by forward exchange contracts:				
Accounts receivable				
US dollar	**294**	278	**3 491**	3 724
Euro	**20**	34	**295**	491
UK pound	**6**	8	**103**	129
Hong Kong dollar	**10**	14	**15**	24
Danish krone	**1**	2	**2**	4
Swiss franc	**1**	3	**10**	34
Australian dollar	**2**	2	**20**	23
Brazilian real	**29**	36	**103**	157
Thai baht	**3**	5	**1**	2
Malawian kwacha	**965**	797	**16**	15
Other	**–**	–	**418**	422
			4 474	5 025
Accounts payable				
US dollar	**23**	31	**278**	414
Euro	**20**	22	**289**	316
UK pound	**2**	2	**31**	41
Australian dollar	**3**	4	**31**	39
Benin CFA Franc BCEAO	**1 075**	322	**23**	7
Other	**–**	–	**133**	79
			(785)	(896)
Accounts receivable as above			**4 474**	5 025
Net exposure			**3 689**	4 129

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects to hedge foreign exchange exposure with foreign exchange contracts and currency options.

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

PRICE RISK ASSOCIATED WITH COMMODITIES

Jet fuel consumption is SAA's biggest cost contributor, representing approximately 23 percent of the Group's cost base. Jet fuel prices have a high level of uncertainty caused by supply shocks, demand patterns, currency fluctuations, market sentiment and political events. Jet fuel price risk is the risk of increased cash cost of jet fuel due to an increase in the prices of the various jet fuel product prices that the Group pays for physical jet fuel purchased around the globe.

SAA currently consumes approximately 93 million litres (2017: 101 million litres) of jet fuel per month. This means that any change in price will have a significant impact on the Group's performance.

The objectives of managing jet fuel price risk are to:

- Reduce the volatility of jet fuel costs and the effect of this volatility on cash flows and earnings, ie price stability;
- Limit the impact of derivative instruments on the Group's financial position and performance;
- Occupy a competitive position in the airline industry in terms of jet fuel price risk management, negating the competitive advantage that competitors derive from their jet fuel risk management strategies;
- Utilise any backwardation in the energy forward curves to reduce future jet fuel costs;

Price risk associated with commodities

- Provide a protection buffer during times of elevated jet fuel prices;
- Continually and dynamically transact a minimum amount of hedging in the financial markets;
- Ensure that hedging prices are averaged into the market and that large hedges are not transacted at single points in time, which may represent the peak of the market.

The Group manages its jet fuel price risk exposures using derivative financial instruments. All derivative contracts are marked to market and are cash settled. The Group's risk policy permits the organisation to manage its jet fuel price risk exposures using the underlying products such as International Crude Exchange (ICE), Brent Crude Oil, ICE Gas Oil 0,5 percent, Gas Oil, Western Texas Intermediate (WTI), FOB ARAB Gulf 0,5 percent and Jet Kerosene (North West Europe) NWE. It is SAA's policy to hedge a maximum of 60 percent of its jet fuel price risk exposures on an 18-month rolling basis with no minimum hedge percentage. The Group did not enter into any derivative financial instruments relating to jet fuel in the current financial year.

SENSITIVITY ANALYSIS

The Group sensitivity analysis would include the sensitivity of annual financial statements to currency risk based on US$, which carries a greater impact on the Group, the interest rate risk sensitivity to LIBOR and JIBAR, the other price risk sensitivity mainly driven by the price per barrel of oil based commodity derivatives.

The following sensitivity analysis was determined based on the 12-month horizon with reasonable possible change at year end. Management has determined the reasonable possible change using market input and historical data. The 12 months was considered appropriate as the Group only publishes its results annually and has reasonable expectations for uncertainties in the 12-month horizon. For internal reporting to the Audit and Risk Committee, a one-month horizon is utilised.

			CURRENCY*	
	Foreign currency amount '000	Carrying amount R'000	Profit/(loss) impact -32% US$ R'000	Profit/(loss) impact +32% US$ R'000
GROUP AND COMPANY**				
Derivative financial instruments				
31 MARCH 2018				
US$ foreign exchange derivatives				
European options	–	2 204	(2 204)	92 387
	–	**2 204**	**(2 204)**	**92 387**

	Foreign currency amount '000	Carrying amount R'000	CURRENCY* Profit/(loss) impact -30% US$ R'000	Profit/(loss) impact +30% US$ R'000	COMMODITY PRICE DERIVATIVES* Loss impact -40% Brent -38% WTI -38% gas oil -33% jet fuel R'000	Profit impact +40% Brent +38% WTI +38% gas oil +33% jet fuel R'000

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

GROUP AND COMPANY**

Derivative financial instruments

	Foreign currency amount '000	Carrying amount R'000	Profit/(loss) impact -30% US$ R'000	Profit/(loss) impact +30% US$ R'000	Loss impact R'000	Profit impact R'000
31 MARCH 2017						
ICE Brent commodity derivatives						
Call spreads	1 815	24 346	(7 304)	7 304	21 461	27 016
Asian call options	18	241	(72)	72	162	368
US$ foreign exchange derivatives						
European options	–	8 688	(1 003)	1 092	–	–
Forward exchange contracts – liabilities	–	(609)	(75)	75	–	–
		32 666	(8 454)	8 543	21 623	27 384

* *The percentages are based on the average movement over the past four years.*
** *A separate liquidity analysis has not been provided for the company, as the numbers do not differ significantly from the Group numbers.*

R MILLION	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Fair value hierarchy and fair value measurements of all financial assets and liabilities held at fair value:				
GROUP AND COMPANY				
31 MARCH 2018				
Assets				
Currency derivatives	**–**	**2**	**–**	**2**
	–	**2**	**–**	**2**
GROUP AND COMPANY				
31 MARCH 2017				
Assets				
Jet fuel options	–	25	–	25
Currency derivatives	–	9	–	9
	–	34	–	34
Liabilities				
Currency derivatives	–	1	–	1
	–	1	–	1

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

FAIR VALUE MEASUREMENTS

The fair values of jet fuel options, currency derivatives and jet fuel forward exchange contracts and swaps are valued using a market approach. Inputs into the fair value measurement, include interest rates and yield curves at commodity quoted intervals, interest rates and applied volatilities. There was no change in the fair value measurement during the current financial year.

FAIR VALUE HIERARCHY

The table above analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identifiable assets and liabilities;
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (ie from prices) or indirectly (ie derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial statement items for which fair value is recognised or disclosed are categorised within the fair value hierarchy as described above. Please refer to Note 12 for the valuation techniques and inputs used to determine the fair value of revalued land and buildings. The fair value of long-term loans as disclosed in Note 24 can be determined by calculating the present value of future principal and interest cash flows, discounted at the market rate of interest for similar liabilities at the reporting date. The fair values of financial liabilities such as trade and other payables and the bank overdraft have not been disclosed, as their carrying values will be a reasonable approximation of their fair values, due to the short-term nature of these instruments, similarly the fair values of financial assets such as trade and other receivables and cash and cash equivalents will not be disclosed as well. Please refer to Note 28.1 for the valuation techniques and inputs used to determine the fair value of the Investment in SA Airlink, this investment is classified as a level 3 instrument, the valuation of this investment resulted in a R6 million gain being recognised in other comprehensive income in the current financial year. There were no changes in any of the fair value measurements during the current financial year.

			CURRENCY[1]		INTEREST RATE[1]	
	Foreign currency amount '000	Carrying amount R'000	Profit/(loss) impact -32% US$ R'000	Profit/(loss) impact +32% US$ R'000	Profit/(loss) impact -78 BPS US$ -40 BPS ZAR R'000	Profit/(loss) impact +78 BPS US$ +40 BPS ZAR R'000
GROUP AND COMPANY						
Non-derivative financial instruments						
31 MARCH 2018						
Secured borrowing – JIBAR floating debt (ZAR denominated)	–	8 447 827	–	–	33 791	(33 791)
Accounts payable (US$ denominated)	23 487	278 453	89 105	(89 105)	–	–
ZAR based bank overdraft	–	827 888	–	–	3 312	(3 312)
Total financial liabilities		**9 554 168**	**89 105**	**(89 105)**	**37 103**	**(37 103)**
Foreign cash and cash equivalents (Favourable cash – US$ equivalent)	114 660	1 359 357	(434 994)	434 994	(10 603)	10 603
ZAR based cash and cash equivalents (Favourable cash)	–	288 446	–	–	(1 154)	1 154
Total financial assets		**1 647 803**	**(434 994)**	**434 994**	**(11 757)**	**11 757**

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

	Foreign currency amount '000	Carrying amount R'000	CURRENCY(1) Profit/(loss) impact -30% US$ R'000	CURRENCY(1) Profit/(loss) impact +30% US$ R'000	INTEREST RATE(1) Profit/(loss) impact -12 BPS US$ -30 BPS ZAR R'000	INTEREST RATE(1) Profit/(loss) impact +12 BPS US$ +30 BPS ZAR R'000
GROUP AND COMPANY						
Non-derivative financial instruments						
31 MARCH 2017						
Restated*						
Secured borrowing – JIBAR floating debt (ZAR denominated)	–	15 944 166	–	–	47 832	(47 832)
Accounts payable (US$ denominated)	30 836	413 625	124 088	(124 088)	–	–
ZAR based bank overdraft	–	683 579	–	–	2 051	(2 051)
Total financial liabilities		17 041 370	124 088	(124 088)	49 883	(49 883)
Foreign cash and cash equivalents (Favourable cash – US$ equivalent)	159 951	2 144 941	(643 482)	643 482	(2 574)	2 574
ZAR based cash and cash equivalents (Favourable cash)	–	455 341	–	–	(1 366)	1 366
Total financial assets		2 600 282	(643 482)	643 482	(3 940)	3 940

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

	Foreign currency amount '000	Carrying amount R'000	IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND(1) +15% -15% EUR/US$ R'000	IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND(1) +20% -20% GBP/US$ R'000
GROUP AND COMPANY				
Non-derivative financial instruments				
31 MARCH 2018				
Denominated in EUR and GBP(2)				
Accounts payable – EUR	**19 853**	**289 291**	**43 394**	**–**
Accounts payable – GBP	**1 889**	**31 387**	**–**	**6 277**
		320 678	**43 394**	**6 277**

	Foreign currency amount '000	Carrying amount R'000	IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND(1) +17% -17% EUR/US$ R'000	IMPACT ON OTHER COMPONENTS OF EQUITY IN RAND(1) +19% -19% GBP/US$ R'000
GROUP AND COMPANY				
Non-derivative financial instruments				
31 MARCH 2017				
Denominated in EUR and GBP(2)				
Accounts payable – EUR	22 131	316 219	53 757	–
Accounts payable – GBP	2 438	41 048	–	7 799
		357 267	53 757	7 799

(1) The percentages are based on the average movement over the past four years.
(2) The Group does not incur any interest on accounts payable.

28. RISK MANAGEMENT (continued)

28.6 Market risk management *(continued)*

LEASE COMMITMENTS

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

FOREIGN DEFINED BENEFIT OBLIGATIONS

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

	GROUP		COMPANY	
R MILLION	**2018**	**2017**	**2018**	**2017**
29. EMPLOYEE BENEFIT EXPENSES				
29.1 Short-term employee benefit expenses				
Personnel and labour costs	**5 652**	5 622	**3 684**	3 650
Contribution to medical funds	**67**	69	**49**	51
	5 719	5 691	**3 733**	3 701
29.2 Post-employment benefit expenses*				
Contribution to pension funds	**432**	423	**303**	295
Contribution to provident funds	**56**	57	**56**	57
Current-service cost	**15**	18	**15**	18
Interest cost	**147**	151	**147**	151
Past-service cost	**(14)**	–	**(14)**	–
Return on plan assets	**(215)**	(209)	**(215)**	(209)
	421	440	**292**	312
Total employee benefit expenses	**6 140**	6 131	**4 025**	4 013

* *These costs relate to other post-employment and other long-term employee benefit plans for the Group. The post-employment benefit costs have been disclosed in Note 32.*

	GROUP		COMPANY	
R MILLION	**2018**	**2017**	**2018**	**2017**
30. RETIREMENT BENEFITS				
Post-retirement medical benefits	**(36)**	(26)	**(36)**	(26)
Retirement benefit obligation	**(77)**	(95)	**(77)**	(95)
Retirement benefit asset	**22**	26	**22**	26
	(91)	(95)	**(91)**	(95)
Non-current assets	**22**	26	**22**	26
Non-current liabilities	**(113)**	(121)	**(113)**	(121)
	(91)	(95)	**(91)**	(95)

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
31. OTHER LONG-TERM LIABILITIES				
Shareholder loan to South African Airways Employee Share Trust	**63**	63	**–**	–
Engine power by the hour liability	**143**	253	**143**	253
	206	316	**143**	253

The Shareholder loan to the South African Airways Employee Share Trust was created when the class E shares were transferred into the South African Airways Employee Share Trust from the Shareholder. The loan is interest free and is repayable on the winding up of the South African Airways Employee Share Trust. It is unlikely that the South African Airways Employee Share Trust will be wound up during the 2018/2019 financial year and therefore has been classified as long-term.

The engine power by the hour liability relates to catch up payments that the Group will pay for engines previously not covered by power by the hour agreements. This relates to the non-current portion of the liability, the current portion is disclosed under "Other payables" in Note 25.

32. EMPLOYEE BENEFIT INFORMATION

32.1 SAA Group pension benefits

The Group offers pension benefits through two defined benefit pension funds and various defined contribution funds. The Transport Pension Fund was previously known as the Transnet Pension Fund, the name was amended in November 2005. The Transnet Pension Fund Amendment Act restructured the Transport Pension Fund into a multi-employer pension fund. From the date this Act came into operation, all existing members, pensioners, dependant pensioners, liabilities, assets, rights and obligations of the Transport Pension Fund are attributable to a subfund, with Transnet as the principal employer.

The amended Rules of the Fund establish a subfund in the name of South African Airways SOC Limited (SAA Group) from 1 April 2006. A further subfund in the name of South African Rail Commuter Corporation Limited was established with effect from 1 May 2006. The third subfund currently in existence is the Transnet subfund.

The SAA Group also offers post-retirement medical benefits to its employees through various funds of its own.

EXPOSURE TO RISKS

The risks faced by the Group as a result of the post-employment benefit obligation can be summarised as follows:

- **Inflation:** The risk that future CPI inflation is higher than expected and uncontrolled;
- **Longevity**: The risk that pensioners live longer than expected and thus their pension benefit is payable for longer than expected;
- **Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain;
- **Future changes in legislation:** The risk that changes to legislation with respect to the post-employment liability may increase the liability for the Group;
- **Future changes in the tax environment:** The risk that changes in the tax legislation governing employee benefits may increase the liability for the Group;
- **Administration**: Administration of this liability poses a burden to the Group.

32.1.1 Transnet retirement fund (TRF)

The fund was structured as a defined contribution fund from 1 November 2000. All employees of SAA are eligible members of the fund. There were 3 740 members (2017: 4 101) at 31 March 2018. Actuarial valuations are done, at intervals not exceeding three years, to determine its financial position. The last actuarial valuation was performed at 31 March 2018. The actuaries were satisfied with the status of the members' credit account then. The Group's contributions for the period to 31 March 2018 amounted to R466 million (2017: R446 million).

32.1.2 SAA subfund of the transport pension fund

The fund is a closed defined benefit pension fund. Members are current employees of the SAA Group who elected to remain as members of the fund at 1 November 2000 and pensioner members who retired subsequent to that date. There were 54 active members (2017: 61) and 301 pensioners (2017: 298) at 31 March 2018. An actuarial valuation was done as at 31 March 2018 based on the projected unit credit method.

The benefits for the members of the fund are determined based on the formula below:

A member with at least 10 years' pensionable service is entitled to the following benefits on attaining the minimum retirement age: An annual pensionable salary equal to average pensionable salary multiplied by pensionable service multiplied by accrual factor plus a gratuity equal to a third of annual pension multiplied by gratuity factor. A member with less than 10 years of pensionable service is entitled to a gratuity equal to twice the member's own contributions without interest on attaining the age limit.

The asset splits between the three subfunds were calculated, based on the proportional allocation of benefit liabilities to be transferred to each subfund, and presented to the Board of the fund. The physical split has been agreed by the principal employers and the subfunds' Boards.

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

The Group expects to make a contribution of R4,9 million (2018: R5,7 million) to the defined benefit plan during the next financial year.

PERCENT	2018	2017

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.1 SAA Group pension benefits *(continued)*

32.1.2 SAA subfund of the transport pension fund *(continued)*

	2018	2017
Principal actuarial assumptions used:		
Discount rate	**8,44**	9,12
Inflation	**5,68**	6,53
Salary increases		
– Inflation	**6,68**	7,53
Pension increases		
– First three years	**4,26**	4,90
– After three years	**4,26**	4,90

R MILLION	2018	2017
Benefit asset		
Present value of obligation	**(1 604)**	(1 575)
Fair value of plan assets	**2 389**	2 372
Surplus	**785**	797
Asset not recognised	**(763)**	(771)
Net asset per the statement of financial position	**22**	26
Reconciliation of movement in present value of obligation		
Opening benefit liability at the beginning of the year	**(1 575)**	(1 592)
Service cost	**(8)**	(10)
Interest cost	**(138)**	(142)
Remeasurement due to change in economic assumptions	**1**	27
Remeasurement due to change in demographic assumptions	**–**	–
Remeasurement due to experience	**(38)**	3
Benefits paid	**144**	143
Past-service cost	**14**	–
Member contributions	**(4)**	(4)
Closing fair value of obligation	**(1 604)**	(1 575)
Reconciliation of fair value of plan assets		
Opening fair value of plan assets	**2 372**	2 261
Return on plan assets – interest income	**210**	203
Remeasurement	**(58)**	43
Employer's contributions	**5**	5
Benefits paid	**(144)**	(144)
Member contributions	**4**	4
Closing fair value of plan assets	**2 389**	2 372
Reconciliation of the change in the asset not recognised		
Opening asset not recognised	**(771)**	(631)
Interest cost	**(70)**	(58)
Change in the effect of the asset ceiling	**78**	(82)
Closing asset not recognised	**(763)**	(771)

PERCENT	2018	2017

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.1 SAA Group pension benefits *(continued)*

32.1.2 SAA subfund of the transport pension fund *(continued)*

The major categories of plan assets as a percentage of total plan assets are:		
Equity	**32**	33
Property	**5**	7
Bonds	**–**	22
Cash	**–**	13
International	**63**	25
Total	**100**	100

R MILLION	2018	2017
Current-service cost	**8**	10
Interest on obligation	**138**	142
Past-service cost	**(14)**	–
Return on plan assets – interest income	**(210)**	(203)
	(78)	(51)

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

The net remeasurement loss on this defined benefit plan of R17 million (2017: R9 million) per Note 41 is arrived at by reducing the net remeasurement loss of R95 million (2017: gain of R73 million) above by R78 million (2017: R82 million), which is the net change in the surplus asset that may not be recognised per the actuarial valuation.

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately R414 million (2017: R445 million) relating to active employees, RNil (2017: RNil) relating to deferred members and R1 190 million (2017: R1 130 million) relating to members in retirement.

The plan assets are primarily invested in equities and bonds (with a majority in equities). This exposes the Fund to a slight concentration of market risk. If the plan assets are not adequate or suitable to fund the liabilities of the fund (and the nature thereof) the Group will be required to fund the balance, hence exposing the Group to risks on the investment return.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	IMPACT ON DEFINED BENEFIT OBLIGATION		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**1%**	**Decrease by 8,1%**	**Increase by 9,4%**
Inflation rate	**1%**	**Increase by 7,4%**	**Decrease by 6,6%**
Pension increase rate increased to 5,5%	**1,24%**	**Decrease by 10,8%**	**N/A**

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

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

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.2 Medical benefits

32.2.1 SAA Group employees' post-retirement medical benefits

The Group has an arrangement with its employees whereby SAA subsidises its members for post-retirement medical benefits. The post-retirement medical benefits obligation relates to SAA Group continuation and in-service members who are members of Transnet, and who retired after 31 March 1990 or are still employees of SAA; employees who participate in the Discovery Health Medical Scheme; employees who participate in the Bonitas Medical Scheme and those who do not belong to a medical scheme.

There were 651 continuation members (2017: 687) and 6 769 in-service members (2017: 4 777) at 31 March 2018. The expected retirement age is 63 years and there is no allowance for early retirement. The average age of the continuation members was 71,3 years (2017: 70,6 years) and the average age of the in-service members was 42,4 years (2017: 41,0 years) at 31 March 2018. The Group expects to make a contribution of R1,7 million (2018: R1,8 million) to the defined benefit plan during the next financial year.

NUMBER OF MEMBERS	2018	2017
Eligible in-service members:		
Male	**4 131**	2 375
Female	**2 638**	2 402
	6 769	4 777

YEARS	2018	2017
Average age and average past service		
Average age (years)	**42,4**	41,0
Average past service (years)	**15,6**	14,0

NUMBER OF MEMBERS	2018	2017
Eligible continuation members:		
Male	**508**	532
Female	**143**	155
	651	687

YEARS	2018	2017
Average age		
Average age (years)	**71,3**	70,6

SAA subsidises continuation and in-service members with a fixed amount of R213 (2017: R213) per month in retirement. The amount is fixed irrespective of the number of dependants on the medical scheme. Dependants of members who die while in-service continue to receive this amount. To enable the SAA Group to fully provide for such post-retirement medical aid liabilities, since April 2000 actuarial valuations are obtained annually, as required by *IAS 19 – Employee benefits.* There are no assets held to fund the obligation.

RISKS INVOLVED IN MAINTAINING THE POST-EMPLOYMENT HEALTHCARE OBLIGATION

The risks faced by SAA as a result of the post-employment healthcare obligation can be summarised as follows:

- **Longevity:** The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected;
- **Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain;
- **Future changes in legislation:** The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for SAA;
- **Future changes in the tax environment:** The risk that changes in the tax legislation governing employee benefits may increase the liability for SAA;
- **Perceived inequality by non-eligible employees:** The risk of dissatisfaction of employees who are not eligible for a post-employment healthcare subsidy;
- **Administration:** Administration of this liability poses a burden to SAA;
- **Enforcement of eligibility criteria and rules:** The risk that eligibility criteria and rules are not strictly or consistently enforced.

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.2 Medical benefits *(continued)*

32.2.1 SAA Group employees' post-retirement medical benefits *(continued)*

ALLOCATION OF LIABILITY TO SAA GROUP

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

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

The economic assumptions have been set in relation to the duration of the liability as at 31 March 2017 of 8,8 years. The duration of the liability as at 31 March 2018 is 9,2 years.

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

The projected unit credit method has been used for the purposes of determining an actuarial valuation of post-retirement medical benefits as at 31 March 2018.

The table below summarises the components of net benefit expense recognised in both the statement of profit or loss and other comprehensive income and the statement of financial position for the SAA Group as at 31 March 2018 for SAA Group employees.

PERCENT	2018	2017
The principal actuarial assumptions used were as follows:		
Discount rate	**8,50**	9,00

R MILLION	2018	2017
Net benefit liability		
Present value of unfunded benefit obligations	**36**	26
Changes in the present value of defined benefit obligations are as follows:		
Opening liability	**26**	26
Service cost	**1**	2
Interest cost	**2**	1
Remeasurement due to change in economic assumptions	**2**	2
Remeasurement due to change in demographic assumptions	**–**	(1)
Remeasurement due to experience	**7**	(2)
Benefits paid	**(2)**	(2)
Benefit liability at year end	**36**	26
Amounts recognised in the statement of profit or loss and other comprehensive income		
Current-service cost	**1**	2
Interest on obligation	**2**	1
	3	3

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	IMPACT ON DEFINED BENEFIT OBLIGATION		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**1%**	**Decrease by 10,6%**	**Increase by 12,9%**
Expected retirement age	**one year**	**Decrease by 6,2%**	**Increase by 7,1%**
Mortality	**one year**	**Decrease by 1,4%**	**Increase by 1,3%**

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

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

32. EMPLOYEE BENEFIT INFORMATION (continued)

32.3 SA German pension fund benefits

SAA operates a retirement plan for its permanent employees based in Germany. The scheme is a defined benefit fund. The scheme consists of three groups which are entitled to different benefits as follows:

Group 1: Those in the employment of SAA before 1976. All employees who were members in this group have retired and the scheme has therefore been closed with effect from March 2004;

Group 2: Those in the employment of SAA from April 1976 to December 1988;

Group 3: All new employees who joined SAA after 1 January 1989.

The benefits payable to groups 2 and 3 are determined with reference to the rules of the scheme and are based on the percentage of the average salary for the last 12 months multiplied by the number of years of pensionable service plus a cash lump sum. The retirement age for all employees is 63 years.

The Group expects to make a contribution of R2,5 million (2018: R2,6 million) to the defined benefit plan during the next financial year.

ACTUARIAL VALUATIONS

Actuarial valuations in terms of the rules of the scheme are done at intervals not exceeding three years to determine its financial position. The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out in March 2018 using the projected unit credit method.

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

PERCENT	2018	2017
Principal actuarial assumptions used:		
Discount rate	**2,06**	1,74
Salary increases	**1,50**	1,50
Pension increases per three years	**3,00**	3,00

R MILLION	2018	2017
Benefit liability		
Present value of obligation	**(354)**	(378)
Fair value of plan assets	**277**	283
Net liability per the statement of financial position	**(77)**	(95)
Reconciliation of movement in present value of obligation		
Opening benefit liability at the beginning of the year	**378**	427
Service cost	**6**	6
Interest cost	**7**	8
Exchange differences on foreign plans	**9**	(65)
Benefits paid	**(15)**	(15)
Remeasurement due to change in economic assumptions	**(18)**	18
Remeasurement due to change in demographic assumptions	**–**	–
Remeasurement due to change in experience	**(13)**	(1)
Closing present value of obligation	**354**	378
Reconciliation of fair value of plan assets		
Opening fair value of plan assets	**283**	325
Exchange differences on foreign plans	**6**	(49)
Return on plan assets – interest income	**5**	6
Remeasurement – return on plan assets excluding interest income	**(4)**	14
Benefits paid	**(15)**	(16)
Employer's contribution	**2**	3
Closing fair value of plan assets	**277**	283

32.3 SA German pension fund benefits *(continued)*

PERCENT	2018	2017
The major categories of plan assets as a percentage of total plan assets are:		
Equity	**28**	28
Cash	**49**	51
Other	**23**	21
Total	**100**	100

R MILLION	2018	2017
Current-service cost	**6**	6
Interest on obligation	**7**	8
Return on plan assets	**(5)**	(6)
	8	8

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately R112 million (2017: R116 million) relating to active employees, R25 million (2017: R24 million) relating to deferred members and R217 million (2017: R238 million) relating to members in retirement.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	IMPACT ON DEFINED BENEFIT OBLIGATION		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0,5%**	**Decrease by 6,9%**	**Increase by 7,8%**
Salary increase rate	**0,5%**	**Increase by 1,7%**	**Decrease by 1,6%**
Pension increase rate	**0,5%**	**Increase by 1,8%**	**Decrease by 1,8%**

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

The net liability per the statement of financial position is denominated in Euro and is translated to South African rand using the closing Rand/Euro exchange rate at year end. As per Note 28.6, the average movement in the Rand/Euro exchange rate over the past four years was 15 percent (2017: 17 percent), therefore a 15 percent (2017: 17 percent) change in the Rand/Euro exchange rate will lead to a change of R11,6 million (2017: R16,2 million) in the net liability recognised at year end.

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

32.4 Flight deck crew (FDC) disability benefit

SAA has an agreement with FDC members who are on permanent employment to top up the disability benefits payable by the Transnet Retirement Fund and the SAA Retirement Fund. In terms of the rules of the Transnet Retirement Fund all employees are entitled to 75 percent of the members' pensionable salary payable when a member becomes disabled before the normal retirement age of 63. The agreement with FDC members is for SAA to pay a further 25 percent in addition to what the member would receive from the pension fund in the case of disability. The members or SAA make no additional contribution towards these benefits, and these benefits are therefore unfunded.

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

NUMBER OF SHARES	2018	2017
32. EMPLOYEE BENEFIT INFORMATION (continued)		
32.5 Share-based payments		
32.5.1 FDC share scheme		
The FDC Share Scheme was created for flight deck crew members and Transnet Limited allocated 40 150 000 class E ordinary R1,00 shares of SAA to the scheme. These shares are held as follows:		
South African Airways Employee Share Trust	**3 431 418**	3 431 418
	3 431 418	3 431 418

NUMBER OF SHARES	2018	2017
32.5.2 Share incentive scheme		
The scheme granted two types of shares, ie joining and promotional shares to management. The promotional shares had a 12-month vesting period and the joining shares had a 24-month vesting period. Vesting was calculated from 1 April 1999 or when the employee joined the company. The employees could exercise these options at 25 percent per annum after vesting took place. These shares are held as follows:		
South African Airways Employee Share Trust	**23 005 660**	23 005 660
	23 005 660	23 005 660

NUMBER OF SHARES	2018	2017
32.5.3 Employee share ownership programme (ESOP)		
This scheme was implemented in March 2001, granting employees in service of SAA on or before 1 April 1999 options to purchase shares at R1,00 per share. These shares vested over a three year period and were fully vested as at 31 March 2004. These shares are held as follows:		
South African Airways Employee Share Trust	**91 141 728**	91 141 728
	91 141 728	91 141 728

32.6 Employee wellness programme

The Group offers employees and their immediate families access to an holistic health and wellness programme, providing life skills, awareness, counselling and education programmes to promote healthy lifestyles and coping skills. The programme is aimed at providing support covering a whole range of health and medical conditions, including HIV and Aids.

32.7 Travel benefits

The Group offers certain air travel benefits to both current employees and retirees. A percentage of the face value of the air ticket is normally paid in respect of the benefit (with such percentage exceeding the marginal cost of supplying the service) and the ticket is only issued on a “standby” basis, with fare paying passengers always having preference. Employees and retirees may only fly if there is available space on the flight.

R THOUSAND	2018	2017

33. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES

EXECUTIVE DIRECTORS' AND KEY MANAGEMENT EMOLUMENTS

	2018	2017
Mango Airlines SOC Limited		
Mr N Bezuidenhout[1]		
Salary	–	1 613
Other benefits[2]	–	3 074
	–	4 687
Ms P Luhabe[3]		
Salary	**1 294**	1 330
Other benefits[4]	**598**	–
	1 892	1 330
Ms M Labuschagne		
Salary	**1 810**	1 668
Other benefits[4]	**833**	–
	2 643	1 668
Mr N Vlok[5]		
Salary	**3 300**	2 582
Other benefits[4]	**2 181**	2 100
	5 481	4 682
SAA Technical SOC Limited		
Mr M Zwane		
Salary	**3 609**	3 711
Allowance	**360**	360
	3 969	4 071
Mr D Erriah[6]		
Salary	**1 049**	2 033
Leave pay paid out	**179**	–
	1 228	2 033
Mr A Malola-Phiri[7]		
Salary	–	413
Retirement fund contributions	–	16
	–	429
Mr WN Nyuswa[8]		
Salary	**492**	–
Allowance	**72**	–
	564	–
Mr AI Seedat		
Salary	**128**	–
Air Chefs SOC Limited		
Mr M Kemp[10]		
Salary	**814**	1 396
Retirement fund contributions	**75**	139
Allowance	**359**	635
	1 248	2 170
Mr L Hudson[11]		
Salary	**1 396**	1 599
	1 396	1 599

33. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES (continued)

(1) *Resigned 30 September 2016.*
(2) *This payment relates to a variable payment in respect of March 2015 financial performance. Board approval received and payment made in June 2016. It also includes leave paid out.*
(3) *Resigned 31 December 2017.*
(4) *This payment relates to a variable payment in respect of March 2018 financial performance. Board approval received and payment will be made during the 2018/2019 financial year. It also includes leave paid out.*
(5) *Appointed as Acting CEO from 1 October 2016. Mr N Vlok was not appointed as an executive director, but is considered to be key management personnel of Mango Airlines SOC Limited.*
(6) *Resigned 30 September 2017.*
(7) *Appointed as Acting CEO until 31 May 2016. Mr A Malola-Phiri was not appointed as an executive director, but is considered to be key management personnel of SAA Technical SOC Limited.*
(8) *Appointed as Acting CFO from 1 October 2017 to 19 March 2018 and Acting CEO from 12 March 2018. Mr WN Nyuswa was not appointed as an executive director, but is considered to be key management personnel of SAA Technical SOC Limited.*
(9) *Appointed as Acting CFO from 19 March 2018. Mr AI Seedat was not appointed as an executive director, but is considered to be key management personnel of SAA Technical SOC Limited.*
(10) *Emoluments are lower in the current financial year as Mr M Kemp was seconded to SAA as General Manager Human Resources from 3 July 2017 to 21 November 2017.*
(11) *Emoluments are lower in the current financial year as Mr L Hudson took a two month sabbatical during the 2017/2018 financial year.*

R THOUSAND	2018	2017
NON-EXECUTIVE DIRECTORS' EMOLUMENTS		
Mango Airlines SOC Limited		
Mr R Wally[12]	–	589
Mr T Adams[13]	–	102
Ms L Barnard[12]	–	230
Dr JE Tambi[14]	–	34
Mr MP Tshisevhe[15]	**870**	–
Ms JG Sepamla[16]	**315**	–
Ms T Mhlari[17]	**107**	–
	1 292	955
SAA Technical SOC Limited		
Ms Y Kwinana[18]	–	250
Dr JE Tambi[19]	–	53
Mr AH Moosa[20]	**128**	64
Mr SS Buthelezi[21]	**351**	300
Ms TN Mgoduso[22]	**128**	64
Mr AI Bassa[17]	**250**	–
	857	731
Air Chefs SOC Limited		
Ms DC Myeni[22]	–	40
Dr JE Tambi[23]	–	148
Ms JG Sepamla[21]	**259**	222
Ms BS Tshabalala[20]	**241**	48
Mr M Malunga[21]	**56**	48
Mr HP Maluleka[17]	**40**	–
Mr G Rothschild[17]	**40**	–
	636	506
South African Airways City Center SOC Limited		
Ms Y Kwinana[18]	–	27
Mr T Lehasa[24]	–	–
Dr JE Tambi[25]	–	27
Mr SS Buthelezi[26]	**11**	–
Mr M Malunga[26]	**11**	–
Ms P Nhantsi[27]	–	–
Mr A Munetsi[27]	–	–
Ms F Thabethe[28]	–	–
	22	54

33. DIRECTORS' EMOLUMENTS FOR SAA SUBSIDIARIES (continued)

(12) Resigned 31 March 2017.
(13) Resigned 31 October 2016.
(14) Appointed 6 July 2016 and resigned 31 January 2017.
(15) Appointed 7 February 2017.
(16) Appointed 7 April 2017 and resigned 3 November 2017.
(17) Appointed 18 November 2017.
(18) Resigned 23 August 2016.
(19) Released 1 September 2016.
(20) Appointed 30 September 2016.
(21) Appointed 30 September 2016 and resigned 3 November 2017.
(22) Appointed 28 May 2015 and resigned 30 September 2016.
(23) Appointed 4 March 2016 and released 1 September 2016.
(24) Resigned 26 July 2017.
(25) Appointed 26 August 2015 and released 1 September 2016.
(26) Appointed 20 July 2017 and resigned 3 November 2017.
(27) Appointed 11 December 2017.
(28) Appointed 11 December 2017 and resigned 28 February 2018.

		GROUP			COMPANY		
R MILLION	**Notes**	**2018**	**2017 Restated**	**2016 Restated**	**2018**	**2017 Restated**	**2016 Restated**
34. TAXATION							
Major components of the tax expense							
Current							
Local income tax – current year		**(20)**	–	(2)	**–**	–	–
Deferred							
Deferred tax – current year	5	**(29)**	(210)	(98)	**–**	–	–
Deferred tax recognised on components of other comprehensive income – current year		**–**	(30)	–	**–**	–	–
		(49)	(240)	(100)	**–**	–	–
Reconciliation of the tax expense							
Reconciliation between accounting loss and tax expense:							
Accounting loss		**5 375**	5 245	1 495	**5 015**	6 352	1 425
Tax at the applicable tax rate of 28% (2017: 28%)		**1 505**	1 469	419	**1 404**	1 779	399
Tax effect of adjustments on taxable income							
Tax effect of non-taxable income		**–**	219	32	**141**	45	–
Tax effect of non-deductible expenses		**(144)**	(244)	(60)	**(154)**	(239)	(60)
Current year temporary differences for which no deferred income tax asset was recognised		**(129)**	(414)	(386)	**(48)**	(450)	(369)
Tax losses for which no deferred income tax asset was recognised		**(1 281)**	(1 240)	–	**(1 343)**	(1 135)	–
Assessed loss utilised		**–**	–	(105)	**–**	–	30
Deferred tax recognised in other comprehensive income		**–**	(30)	–	**–**	–	–
		(49)	(240)	(100)	**–**	–	–
Estimated tax losses available to be utilised against future taxable income		**24 794**	20 219	16 659	**24 106**	19 309	15 360

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements. The reconciliation of deferred tax in Note 35 has also been restated.*

R MILLION	Notes	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated
35. DEFERRED TAX ASSET							
Temporary differences in respect of property, aircraft and equipment		**(533)**	(497)	(775)	**(496)**	(519)	(602)
Doubtful debts		**27**	30	30	**25**	27	25
Air traffic liability and other deferred income		**1 154**	1 174	1 180	**1 086**	1 129	1 133
Provisions		**1 856**	1 928	1 735	**1 474**	1 633	1 469
Prepayments		**(117)**	112	(95)	**(50)**	110	(94)
Differences due to changes in fair value of financial instruments		**(7)**	(11)	(25)	**(7)**	(11)	(25)
Consumable stock		**7**	7	–	**7**	7	–
Leased assets		**–**	3	4	**–**	–	–
Computed tax loss		**6 942**	5 641	4 750	**6 750**	5 378	4 382
		9 329	8 387	6 804	**8 789**	7 754	6 288
Deferred tax asset not recognised		**(9 317)**	(8 346)	(6 523)	**(8 789)**	(7 754)	(6 288)
Deferred tax asset recognised	5	**12**	41	281	**–**	–	–

RECOGNITION OF DEFERRED TAX ASSET

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable income is probable. The Group did not recognise deferred tax assets of R9,3 billion (2017: R8,3 billion) in respect of losses amounting to R24,8 billion (2017: R20,2 billion) that can be carried forward against future taxable income. It is anticipated that there will be sufficient taxable income in future periods to support the recognition of the deferred tax asset reflected above.

R MILLION	GROUP 2018	GROUP 2017 Restated	GROUP 2016 Restated	COMPANY 2018	COMPANY 2017 Restated	COMPANY 2016 Restated
36. TAX PAID						
Movement in the deferred tax balance in the current year	**29**	240	99	**–**	–	–
Movement in the current tax receivable balance in the current year	**(24)**	–	(19)	**–**	–	–
Current tax recognised for the year	**(49)**	(210)	(100)	**–**	–	–
Deferred tax recognised in other comprehensive income in the current year	**–**	(30)	–	**–**	–	–
Tax paid in foreign jurisdictions	**(12)**	(7)	(16)	**(12)**	(7)	(16)
Tax paid per statement of cash flows	**(56)**	(7)	(36)	**(12)**	(7)	(16)

* *Some prior year items above have been restated due to other restatements made throughout the annual financial statements. Please refer to Note 5 for more details regarding prior year restatements.*

R MILLION	2018 Cost/ valuation	2018 Accumulated amortisation/ impairment	2018 Carrying value	2017 Cost/ valuation	2017 Accumulated amortisation/ impairment	2017 Carrying value
37. INTANGIBLE ASSETS						
GROUP						
Software development	**580**	**(386)**	**194**	469	(358)	111
Goodwill*	**35**	**(35)**	**–**	35	(35)	–
Capital work in progress	**19**	**–**	**19**	133	–	133
Total	**634**	**(421)**	**213**	637	(393)	244
COMPANY						
Software development	**419**	**(357)**	**62**	418	(327)	91
Capital work in progress	**19**	**–**	**19**	133	–	133
Total	**438**	**(357)**	**81**	551	(327)	224

R MILLION	Software development	Goodwill*	Capital work in progress	Total
GROUP				
Reconciliation				
Opening balance	90	–	120	210
Additions	44	–	–	44
Transfer from capital work in progress	30	–	–	30
Transfer to sundry debtors	(10)	–	–	(10)
Amortisation	(43)	–	–	(43)
Reclassification from property, aircraft and equipment	–	–	13	13
Balance at 31 March 2017	111	–	133	244
Opening balance	**111**	**–**	**133**	**244**
Additions	**4**	**–**	**17**	**21**
Disposals	**(9)**	**–**	**–**	**(9)**
Transfer from capital work in progress	**131**	**–**	**(131)**	**–**
Amortisation	**(43)**	**–**	**–**	**(43)**
Balance at 31 March 2018	**194**	**–**	**19**	**213**

R MILLION	Software development	Capital work in progress	Total
37. INTANGIBLE ASSETS (continued)			
COMPANY			
Reconciliation			
Opening balance	68	120	188
Additions	39	–	39
Transfer from capital work in progress	30	–	30
Transfer to sundry debtors	(10)	–	(10)
Amortisation	(36)	–	(36)
Reclassification from property, aircraft and equipment	–	13	13
Balance at 31 March 2017	91	133	224
Opening balance	**91**	**133**	**224**
Additions	**1**	**18**	**19**
Disposals	**–**	**(131)**	**(131)**
Transfer from capital work in progress	**1**	**(1)**	**–**
Amortisation	**(31)**	**–**	**(31)**
Balance at 31 March 2018	**62**	**19**	**81**

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

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
38. INVENTORIES				
Maintenance inventories	**1 298**	1 321	**–**	–
Work in progress	**191**	36	**–**	–
Consumables	**196**	173	**121**	101
	1 685	1 530	**121**	101
Impairment of Inventories	**(622)**	(651)	**–**	–
	1 063	879	**121**	101
Reconciliation of impairment of inventories				
Opening balance	**(651)**	(685)	**–**	–
Reversal of previous write-downs to net realisable value	**110**	50	**–**	–
Write-down of inventories recognised as an expense during the year	**(81)**	(16)	**–**	–
Closing balance	**(622)**	(651)	**–**	–

The write-down of inventories in the current and prior year relates to the impairment of obsolete aircraft spares. This stock was impaired to its net realisable value. The reversal of write-down of inventories in the current and prior year relates to obsolete aircraft spares that were written down to their net realisable value and were subsequently sold.

39. CONTINGENT LIABILITIES AND UNQUANTIFIABLE EXPOSURE

COMPETITION MATTERS

The Group is currently appealing the judgement awarded by the High Court in respect of the Comair litigation which was based on two actions brought by Comair against SAA as a consequence of the findings by the Competition Tribunal that SAA contravened the Competition Act, 89 of 1998, in agreements between SAA and various travel agents between October 1999 and May 2001 ("the first period") and between SAA and various travel agents between 1 June 2001 and 31 March 2005 ("the second period"). As the appeal is still sub judice or not finalised SAA is not in a position to confirm the full extent of the financial exposure that may arise as a result of the appeal, but has made an appropriate estimate of all necessary costs based on legal advice received.

CIVIL LITIGATION, LABOUR AND PASSENGER CLAIMS

SAA is not in a position to assess the full extent of the financial exposure that may attach to these claims as a consequence of an order of court but has made an appropriate estimate of all necessary costs in the current year's annual financial statements based on legal advice received.

PASSENGER PROTECTION GUARANTEE – MANGO AIRLINES SOC LIMITED

South African Airways SOC Limited issued a guarantee on behalf of Mango Airlines SOC Limited to the Civil Aviation Authority for an amount of R80 million as a Passenger Protection Guarantee.

	GROUP		COMPANY	
R MILLION	**2018**	**2017**	**2018**	**2017**
40. FAIR VALUE AND TRANSLATION MOVEMENTS				
Foreign exchange loss on translation of:				
Foreign cash balances	**442**	(19)	**442**	(21)
Foreign currency denominated net receivables	**(81)**	708	**(95)**	716
Net monetary assets and liabilities	**435**	336	**424**	319
Translation of foreign assets and liabilities	**796**	1 025	**771**	1 014
Fair value loss on derivative instruments held-for-trading:				
Realised gain on derivatives	**(20)**	(116)	**(20)**	(116)
Fair value loss on derivative financial instruments	**53**	183	**53**	183
Net fair value loss on derivative instruments held-for-trading	**33**	67	**33**	67
Total fair value and translation movements	**829**	1 092	**804**	1 081

41. OTHER COMPREHENSIVE INCOME/(LOSS)

R MILLION	Gross	Tax	Net
COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)			
GROUP – 2018			
Movements in other reserves			
Remeasurement of SAA German Pension Fund	**27**	**–**	**27**
Remeasurement of SAA subfund of Transport Pension Fund	**(17)**	**–**	**(17)**
Remeasurement of post-retirement medical benefits	**(9)**	**–**	**(9)**
Change in value of available-for-sale financial asset	**6**	**–**	**6**
	7	**–**	**7**
GROUP – 2017			
Movements in other reserves			
Remeasurement of SAA German Pension Fund	(3)	–	(3)
Remeasurement of SAA subfund of Transport Pension Fund	(9)	–	(9)
Remeasurement of post-retirement medical benefits	1	–	1
Change in value of available-for-sale financial asset	6	–	6
	(5)	–	(5)
Movements in revaluation reserve			
Gain on property revaluations	173	(30)	143
Total	168	(30)	138
COMPANY– 2018			
Movements in other reserves			
Remeasurement of SAA German Pension Fund	**27**	**–**	**27**
Remeasurement of SAA subfund of Transport Pension Fund	**(17)**	**–**	**(17)**
Remeasurement of post-retirement medical benefits	**(9)**	**–**	**(9)**
Change in value of available-for-sale financial asset	**6**	**–**	**6**
	7	**–**	**7**
COMPANY – 2017			
Movements in other reserves			
Remeasurement of SAA German Pension Fund	(3)	–	(3)
Remeasurement of SAA subfund of Transport Pension Fund	(9)	–	(9)
Remeasurement of post-retirement medical benefits	1	–	1
Change in value of available-for-sale financial asset	6	–	6
	(5)	–	(5)
Movements in revaluation reserve			
Gain on property revaluations	67	–	67
Total	62	–	62

42. INFORMATION REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT

SAA is a state owned company and listed as a Schedule 2 Major Public Entity in terms of the PFMA (Act No 1 of 1999). The SAA Board as the accounting authority, has the responsibility of ensuring that SAA has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The design and implementation of effective controls has been delegated to the SAA executive management.

The tables below indicate the PFMA non-compliance for 2017/2018 compared to the 2016/2017 financial year:

	GROUP		COMPANY	
R MILLION	**2018**	**2017**	**2018**	**2017**
Fruitless and wasteful expenditure				
Opening balance	**46,2**	16,6	**30,9**	16,3
Add: Fruitless and wasteful expenditure – current year	**130,3**	40,4	**123,6**	15,7
Less: Condoned or written off by relevant authority	**(138,8)**	–	**(138,8)**	–
Less: Transfer to receivables for recovery	**(12,9)**	(10,8)	**(1,2)**	(1,1)
Fruitless and wasteful expenditure closing balance	**24,8**	46,2	**14,5**	30,9

The amount of R12,9 million transferred to receivables has already been recovered by the Group from responsible persons (employees and service providers). The fruitless and wasteful expenditure in the current year includes unavoidable expenses of R9,5 million, which are costs inherent to the operation of the airline. Therefore avoidable fruitless and wasteful expenditure amounts to R120,8 million for the 2017/2018 financial year. The Group will continue to assess the existing controls and reduce the avoidable fruitless and wasteful expenditure in the 2018/2019 financial year. Some employees resigned while others were dismissed as a result of the above non-compliance.

	GROUP		COMPANY	
R MILLION	**2018**	**2017**	**2018**	**2017**
Irregular spend without loss				
Opening balance	**113,6**	73,8	**110,2**	73,8
Add: Irregular spend – current year	**9 962,5**	125,9	**8 563,3**	122,5
Add: Irregular spend – prior year	**11 984,5**	–	**10 447,1**	–
Less: Condoned or written off by relevant authority	**–**	(86,1)	**–**	(86,1)
Irregular spend awaiting condonement	**22 060,6**	113,6	**19 120,6**	110,2

The majority of the irregular spend incurred to date was due to expired contracts or no contracts in place, as well as procuring without complying with the Supply Chain Management policy and the number of extensions done based on the moratorium (for contracting to a maximum of six months) that was placed by the Board due to the Group's financial position (to comply with the Companies Act). Warnings were issued and training has been offered to employees that contributed to the above expenditure.

The organisation will continuously review and update interactions that will assist the organisation to reduce the PFMA non-compliance. Some of the interactions that are currently being monitored are:

- A plan of action has been put in place by the Group to mitigate the recurrence of PFMA contraventions, which include revising the Supply Chain Management policy and the SAA Public Finance Management Act policy.
- Ensuring that the procurement departments within the Group are equipped with the appropriate skills and expertise in order to fulfil their duties and responsibilities in an transparent, effective and efficient manner.
- Additional discussions are being held with National Treasury in order to put measures in place mitigating non-compliance. The Group has also undertaken to revise the entire population on both irregular and fruitless and wasteful expenditure (an exercise that began in March 2018) to ensure that all non-compliance to the Public Finance Management Act are reported. Consequence management and condonements will also be seriously implemented based on the outcome. The results of the population revision exercise will be reflected in the 2018/2019 Group annual financial statements.

R MILLION	COMPANY 2018	COMPANY 2017
43. INVESTMENTS IN SUBSIDIARIES		
Shares at cost	**3 822**	2 404
Impairment of investments in subsidiaries	**(1 688)**	(2 068)
	2 134	336

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

R MILLION	Shares	PERCENTAGE HOLDING 2018	PERCENTAGE HOLDING 2017	SHARES AT COST 2018	SHARES AT COST 2017
Name of company					
Mango Airlines SOC Limited	1 120	**100**	100	**336**	336
SAA Technical SOC Limited	640	**100**	100	**3 160**	1 960
Air Chefs SOC Limited	837	**100**	100	**324**	106
South African Airways City Center SOC Limited	1 000	**100**	100	**2**	2
				3 822	2 404
Impairment of investments in subsidiaries				**(1 688)**	(2 068)
				2 134	336

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The net aggregate profits in subsidiaries for the year amounted to R177 million (2017: R40 million).

R MILLION	COMPANY 2018	COMPANY 2017
44. AMOUNTS RECEIVABLE FROM SUBSIDIARIES		
SUBSIDIARIES		
SAA Technical SOC Limited	**–**	1 212
Air Chefs SOC Limited	**–**	178
South African Airways City Center SOC Limited	**18**	21
	18	1 411
Impairment of loans to subsidiaries	**(18)**	(199)
	–	1 212
Current assets	**–**	1 212
	–	1 212

The amounts receivable from the subsidiaries are interest free. These balances fluctuate in line with the financing requirements of the subsidiaries and there are no fixed terms of repayment. The loans to SAA Technical SOC Limited (SAAT) and Air Chefs SOC Limited (Air Chefs) were both repaid during the year, as a result of the recapitalisation of these subsidiaries. The loan to Air Chefs was previously fully impaired. The investments in these two subsidiaries have been assessed for impairment during the current financial year, please refer to Note 43 for more details on the investments in subsidiaries. The loan to South African Airways City Center SOC Limited (SATC) was fully impaired in the current and prior years.

R MILLION	COMPANY 2018	COMPANY 2017

45. AMOUNTS PAYABLE TO SUBSIDIARIES

	COMPANY 2018	COMPANY 2017
Subsidiaries		
Mango Airlines SOC Limited	**75**	357
SAA Technical SOC Limited	**412**	–
	487	357

Certain surplus funds of Mango Airlines SOC Limited (Mango) are held by South African Airways SOC Limited and attract interest at a market related interest rate (Prime less 2,7%). There is a contractual agreement in place with Mango that these capital sums shall remain unencumbered and free from any claim or attachment by a third party. This balance has been classified in payables, as it is unlikely that monies will be recalled within 3 months.

The operations of SAA Technical SOC Limited (SAAT) are a core functionality of SAA and the monthly fluctuations in the balance of the payable is reflective of the operational commitments which is effected by an actual swapping of funds between the two entities.

46. INVESTMENTS

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Investment in unlisted shares				
SA Airlink (Pty) Limited	**35**	35	**35**	35
Impairment of unlisted investment	**–**	(6)	**–**	(6)
	35	29	**35**	29
Investment in share trust				
South African Airways Employee Share Trust	**–**	–	**157**	157
Impairment of the loan to South African Airways Employee Share Trust	**–**	–	**(157)**	(157)
	–	–	**–**	–

Can't use dividing rule if the tables are merged

47. SHARE CAPITAL

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Authorised				
9 000 000 000 Class A ordinary shares of R1 each	**9 000**	9 000	**9 000**	9 000
3 000 000 000 Class B ordinary shares of R1 each	**3 000**	3 000	**3 000**	3 000
1 500 000 000 Class C ordinary shares of R1 each	**1 500**	1 500	**1 500**	1 500
750 000 000 Class D ordinary shares of R1 each	**750**	750	**750**	750
750 000 000 Class E ordinary shares of R1 each	**750**	750	**750**	750
	15 000	15 000	**15 000**	15 000
Reconciliation of number of shares issued:				
Opening balance	**12 892**	12 892	**13 126**	13 126
Issued				
8 786 771 465 Class A ordinary shares of R1 each	**8 787**	8 787	**8 787**	8 787
2 412 563 822 Class B ordinary shares of R1 each	**2 413**	2 413	**2 413**	2 413
1 206 281 911 Class C ordinary shares of R1 each	**1 206**	1 206	**1 206**	1 206
603 140 956 Class D ordinary shares of R1 each	**603**	603	**603**	603
117 578 806 Class E ordinary shares of R1 each	**117**	117	**117**	117
Less: Treasury shares	**(234)**	(234)	**–**	–
	12 892	12 892	**13 126**	13 126

All shares in the classes A to D are held by the South African Government, represented by the Department of Finance, and enjoy the same rights. The class E shares are held by the South African Airways Employee Share Trust.

R MILLION	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
49. SHAREHOLDER CONTRIBUTION				
Balance at the beginning of the year	**–**	–	**–**	–
Contribution made by shareholder during the year	**10 000**	–	**10 000**	–
Balance at the end of the year	**10 000**	–	**10 000**	–

During the year, the Shareholder invested an amount of R10 billion in the company. The intention was to receive additional shares in South African Airways SOC Limited (SAA) for the investment. Unfortunately, at the time, the company did not have sufficient authorised shares available to issue to the Shareholder. SAA has to amend the Memorandum of Incorporation (MOI) in order to be able to issue additional shares. SAA is in the process of amending the MOI and the shares will be issued in due course.

48. RELATED PARTIES

The SAA Group has applied the exemption under paragraph 25 of IAS 24 to government related entities. South African Airways SOC Limited (SAA) is owned by the Department of Finance, a South African Government National Department. SAA is a Schedule 2 Public Entity in terms of the Public Finance Management Act No 1 of 1999 (as amended) (PFMA). Its related parties therefore constitute the Department of Finance, its subsidiaries, some major public entities falling under Schedule 2 of the PFMA and key management personnel.

Public entities that are classified as Schedule 2 major public entities are omitted from detailed disclosure as per paragraphs 25 and 26 of IAS 24. The exemption also applies to the Department of Finance. The following significant transaction was entered into with South African Express SOC Limited (SAX) and is disclosed as required by paragraph 26 of IAS 24. The transaction that was entered into with SAX was a cash neutrality advance of R313 million (2017: R344 million). The prepayment is done in order to compensate SAX for the loss of interest and cash flow impact caused by the delay in the settlement of flown revenues when the service is rendered by SAX. This amount has been fully impaired in the current year, as the amount may be irrecoverable, due to uncertainty relating to SAX's ability to continue as a going concern.

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

SAA recognised lease income on aircraft sub leased to one of its subsidiaries during the current financial year to the value of R202 million (2017: R279 million).

Property, aircraft and equipment to the value of R100 million was sold to a subsidiary of SAA during the current financial year.

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

R THOUSAND	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
RELATED PARTY BALANCES				
Amounts receivable from related parties*				
Subsidiaries	**–**	–	**22 015**	1 211 551
Public entities	**4 629**	8 107	**–**	44
	4 629	8 107	**22 015**	1 211 595
Amounts payable to related parties**				
Subsidiaries	**–**	–	**673 527**	354 741
Public entities	**134 810**	31 107	**73 722**	31 107
	134 810	31 107	**747 249**	385 848

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

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

R THOUSAND	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017

49. RELATED PARTIES (continued)

RELATED PARTY TRANSACTIONS

R THOUSAND	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Sales of goods/services				
Subsidiaries	–	–	590 637	629 287
Public entities	18 307	20 387	131	152
	18 307	20 387	590 768	629 439
Purchases of goods/services				
Subsidiaries	–	–	3 145 144	3 310 946
Public entities	1 077 466	1 123 525	501 998	757 571
	1 077 466	1 123 525	3 647 142	4 068 517
Other transactions				
Subsidiaries	–	–	18 005	41 553
Key management personnel*	49 500	53 593	30 951	30 924
	49 500	53 593	48 956	72 477

* *Long- and short-term employee benefits paid to executive members. Executive members' emoluments of subsidiaries that form part of the SAA Group Executive Committee are disclosed in Note 33. The short-term employee benefits reflected below refer to members of the SAA company who are also members of the SAA Group Executive Committee.*

R THOUSAND	DIRECTORS' FEES 2018	DIRECTORS' FEES 2017
Non-executive compensation is set out below:		
BOARD OF DIRECTORS		
Non-executive		
Ms Y Kwinana(1)	–	212
Dr JE Tambi(2)	–	295
Ms DC Myeni(5)	465	885
Ms MMT Ramano(3), (5)	222	208
Mr SS Buthelezi(3), (5)	157	152
Mr HP Maluleka(3)	358	185
Mr M Malunga(3), (5)	208	196
Ms MS Mbatha(3), (4)	50	168
Ms TN Mgoduso(3)	380	191
Ms N Moola(3), (5)	236	225
Mr AH Moosa(3)	397	216
Ms JG Sepamla(3), (5)	223	204
Ms BS Tshabalala(3)	436	229
Mr MP Tshisevhe(3)	349	176
Mr JB Magwaza(6)	332	–
Ms N Fakude(6)	159	–
Mr G Rothschild(6)	149	–
Mr AI Bassa(6)	145	–
Ms T Mhlari(6)	145	–
Mr ML Kingston(6)	182	–
	4 593	3 542

(1) Resigned 23 August 2016.
(2) Released 1 September 2016.
(3) Appointed 1 September 2016.
(4) Resigned 29 May 2017.
(5) Removed 3 November 2017.
(6) Appointed 3 November 2017.

49. RELATED PARTIES (continued)

In terms of the Group's travel benefits policy as referred to in Note 32.7, key management personnel are entitled to utilise surplus capacity on flights at a nominal cost to the beneficiaries and at no loss of revenue to the Group.

R THOUSAND	Salaries	Allowances	Fund contributions	Total
SHORT-TERM EMPLOYEE BENEFITS 2018				
Executive directors[(1)]				
Mr M Zwane[(2)]	356	–	–	356
Ms P Nhantsi	3 671	–	–	3 671
Mr V Jarana[(3)]	2 917	–	–	2 917
	6 944	–	–	6 944
Executive Committee				
Ms N Sonjani[(4)]	102	15	–	117
Ms ME Mpshe	2 495	–	229	2 724
Mr TP Makhetha	2 882	–	–	2 882
Ms Z Ramasia	2 622	–	209	2 831
Ms U Fikelepi[(5)]	1 318	–	–	1 318
Mr P Ncala[(6)]	2 082	–	–	2 082
Ms L Jiya	2 351	–	–	2 351
Mr J du Plessis	1 149	233	108	1 490
Mr A Munetsi[(7)]	1 095	168	85	1 348
Mr MZ Manqele[(8)]	325	–	–	325
Mr M Kemp[(9)]	582	260	53	895
Mr P Davies[(10)]	2 931	–	–	2 931
Ms F Thabethe[(11)]	732	107	69	908
Ms V Raseroka[(12)]	855	–	–	855
Mr C McQuirk[(13)]	530	145	53	728
Ms P Luhabe[(14)]	203	–	19	222
	22 254	928	825	24 007

(1) Executive directors of the Board are also members of the Executive Committee.
(2) Appointed as Acting CEO until 31 October 2017.
(3) Appointed as CEO on 1 November 2017.
(4) Appointed as Acting CFO on 12 March 2018.
(5) Resigned 31 October 2017.
(6) Resigned 30 November 2017.
(7) Appointed to the Executive Committee in an acting capacity until 18 February 2018.
(8) Appointed to the Executive Committee in an acting capacity until 30 June 2017.
(9) Appointed as Acting General Manager Human Resources from 3 July 2017 to 21 November 2017.
(10) Appointed to the Executive Committee effective 16 October 2017.
(11) Appointed to the Executive Committee in an acting capacity effective 1 November 2017 until 28 February 2018.
(12) Appointed to the Executive Committee in an acting capacity effective 22 November 2017.
(13) Appointed to the Executive Committee in an acting capacity effective 1 December 2017.
(14) Appointed to the Executive Committee effective 19 February 2018.

49. RELATED PARTIES (continued)

SHORT-TERM EMPLOYEE BENEFITS 2017

R THOUSAND	Salaries	Allowances	Fund contributions	Other benefits[1]	Total
Executive directors[2]					
Mr M Zwane	611	–	–	–	611
Ms P Nhantsi	3 396	–	–	–	3 396
	4 007	–	–	–	4 007
Executive Committee					
Ms ME Mpshe	2 495	–	229	–	2 724
Mr TP Makhetha	2 956	–	–	–	2 956
Ms Z Ramasia	2 694	–	193	–	2 887
Ms U Fikelepi	2 275	–	–	–	2 275
Mr P Ncala	3 163	–	–	–	3 163
Mr S Bosc[3]	3 091	1 599	–	1 723	6 413
Ms L Jiya	2 411	–	–	–	2 411
Mr J du Plessis	1 149	238	108	–	1 495
Mr A Munetsi	1 227	198	95	–	1 520
Mr MZ Manqele[4]	1 073	–	–	–	1 073
	22 534	2 035	625	1 723	26 917

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

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

(3) Resigned 2 March 2017.

(4) Appointed to the Executive Committee effective 3 June 2016.

R THOUSAND	2018 TRAVEL BENEFITS NUMBER OF FLIGHTS International	Domestic	Regional	2017 TRAVEL BENEFITS NUMBER OF FLIGHTS International	Domestic	Regional

49. RELATED PARTIES (continued)

	International	Domestic	Regional	International	Domestic	Regional
Executive directors						
Mr M Zwane[(1)]	2	2	–	3	4	–
Ms P Nhantsi	1	26	2	1	15	–
Mr V Jarana[(2)]	–	6	1	–	–	–
	3	34	3	4	19	–
Executive Committee						
Ms N Sonjani[(3)]	–	–	–	–	–	–
Ms ME Mpshe	–	9	–	1	9	2
Mr TP Makhetha	–	1	3	4	1	–
Ms Z Ramasia	9	31	1	9	34	1
Ms U Fikelepi[(4)]	1	6	–	–	14	1
Mr P Ncala[(5)]	10	1	–	7	1	–
Mr S Bosc[(6)]	–	–	–	13	21	–
Ms L Jiya	–	19	4	2	17	3
Mr J du Plessis	3	4	5	7	5	–
Mr A Munetsi[(7)]	8	1	9	7	9	17
Mr MZ Manqele[(8)]	–	5	2	2	17	–
Mr M Kemp[(9)]	–	6	–	–	–	–
Mr P Davies[(10)]	–	–	–	–	–	–
Ms F Thabethe[(11)]	–	1	–	–	–	–
Ms V Raseroka[(12)]	–	2	–	–	–	–
Mr C McQuirk[(13)]	–	4	–	–	–	–
Ms P Luhabe[(14)]	–	–	–	–	–	–
	31	90	24	52	128	24

(1) Appointed as Acting CEO until 31 October 2017.
(2) Appointed as CEO on 1 November 2017.
(3) Appointed as Acting CFO on 12 March 2018.
(4) Resigned 31 October 2017.
(5) Resigned 30 November 2017.
(6) Resigned 2 March 2017.
(7) Appointed to the Executive Committee in an acting capacity until 18 February 2018.
(8) Appointed to the Executive Committee in an acting capacity effective 3 June 2016 until 30 June 2017.
(9) Appointed as Acting General Manager Human Resources from 3 July 2017 to 21 November 2017.
(10) Appointed to the Executive Committee effective 16 October 2017.
(11) Appointed to the Executive Committee in an acting capacity effective 1 November 2017 until 28 February 2018.
(12) Appointed to the Executive Committee in an acting capacity effective 22 November 2017.
(13) Appointed to the Executive Committee in an acting capacity effective 1 December 2017.
(14) Appointed to the Executive Committee effective 19 February 2018.

50. EVENTS SUBSEQUENT TO THE REPORTING DATE

Board of directors

Subsequent to the 2018 financial year end, the following directors resigned from the Board:
Ms P Nhantsi (effective 27 June 2018).
Mr M Zwane (As CEO of South African Airways Technical SOC Limited, effective 27 June 2018).
Ms BS Tshabalala (effective 30 July 2018).
Ms N Fakude – Deputy Chairperson (effective 16 August 2018).

APPOINTMENT OF KEY PERSONNEL

Subsequent to year end, Mr R Head was appointed as the Interim Chief Financial Officer (CFO) for a six month period, commencing on 11 April 2018 and ending on 30 September 2018. Mr D Fredericks was appointed as the Interim CFO for a 12 month period, commencing on 15 October 2018.

RECAPITALISATION

On 24 October 2018, the Minister of Finance announced a capital injection for the airline of R5 billion during the 2018/2019 financial year.

OTHER MATTERS

The transfer of administrative powers entrusted by the South African Airways Act 2007 from the Minister of Finance to the Minister of Public Enterprises was effected on 1 August 2018.

Corporate information

COUNTRY OF INCORPORATION AND DOMICILE

The Republic of South Africa

COMPANY REGISTRATION NUMBER

1997/022444/30

SAA GROUP BOARD

As at 31 March 2018, the SAA Board comprised of the following Members:

Non-executive Directors

Mr Johannes Magwaz (Chairperson)

Ms Nolitha Fakude (Deputy Chairperson)

Mr Ahmed Bassa

Mr Martin Kingston

Ms Thandeka Mgoduso

Mr Akhter Moosa

Ms Bajabulile Tshabalala

Mr Peter Maluleka

Ms Tinyiko Mhlari

Mr Geoff Rothschild

Mr Peter Tshisevhe

Executive Directors

Mr Vuyani Jarana (Group CEO)

Ms Phumeza Nhantsi (Chief Financial Officer)

COMPANY SECRETARY

R Kibuuka

BANKERS

Standard Bank Limited

Nedbank, a division of Nedbank Group Limited

Citibank of South Africa Proprietary Limited

AUDITORS

Auditor-General of South Africa
300 Middel Street
New Muckleneuk
Pretoria, 0011

PO Box 446 Pretoria, 0001

REGISTERED OFFICE

Airways Park, Jones Road
OR Tambo International Airport
Kempton Park
1619

POSTAL ADDRESS

Private Bag X13
OR Tambo International Airport
Kempton Park
1627

WEBSITE

www.flysaa.com

Definitions

ACSA	Airports Company South Africa
ASK	Available Seat Kilometre
CAA	Civil Aviation Association
CASK	Cost per Available Seat Kilometre
CIP	Commercially Important Passenger
CRM	Customer Relationship Management
CVP	Customer Value Proposition
DOT	Department of Transport
dti	Department of Trade and Industry
EDTO	Extended Diversion Time Operations
FFP	Frequent Flyer Programme
Fifth Freedom	The right of an airline to carry revenue traffic between foreign countries as part of a service connecting the airline's own country
FTK	Freight Tonne Kilometres
GSM	Global Supply Management
IATA	International Air Transport Association
IFE	In-flight Entertainment
HR	Human Resources
IT/S	Information Technology/Services
JV	Joint Venture
King III of 2009	King Code on Corporate Governance
KPI	Key Performance Indicator
LCC	Low-Cost Carrier
LTTS	Long-Term Turnaround Strategy
MFMA	Municipal Finance Management Act
MRO	Maintenance, Repair and Overhaul
NDA	National Developmental Agenda
NIPP	National Industrial Participation Programme
OECD	Organisation for Economic Co-operation and Development
ORTIA	OR Tambo International Airport
PDP	Pre-Delivery Payment
PFMA	Public Finance Management Act, Act No 1 of 1999 (PFMA)
POPI	Protection of Personal Information
RASK	Revenue per Available Seat Kilometre
RFI	Request for Information
ROI	Return on Investment
RPK	Revenue Passenger Kilometres
SAX	SA Express
SACAA	South African Civil Aviation Authority
SLA	Service Level Agreement
SMME	Small-, Medium-, and Micro-sized Enterprises
SOC	State-owned Company
VSP	Voluntary Severance Package
WACC	Weighted Average Cost of Capital
YD	Yamoussoukro Decision, commits 44 signatory countries in Africa to deregulating air services, and promoting the opening of regional air markets to transnational competition

SOUTH AFRICAN AIRWAYS

A STAR ALLIANCE MEMBER

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