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South African Express Airways SOC Limited
(Registration number 1990/007412/30)
Financial statements
for the year ended March 31, 2019
Issued May 31, 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	South African Express Airways operates within the airline business industry in Africa with a route network spanning major local and regional cities.
Directors	T. Ramano B. Mpondo A Bassa T January-Mclean T. Kgomo T. Abrahams T. Leoka K Thaver H. Makhathini R. Lamola S. Mzimela M. Selepe
Registered office	2nd Floor E Block Offices Airways Park 1 Jones Road Gauteng 1627
Business address	2nd Floor E Block Offices Airways Park 1 Jones Road Gauteng 1627
Postal address	PO Box 101 OR Tambo International Airport 1627
Holding company	Department of Public Enterprises holds 100% of South African Express Airways on behalf of SA Government. South African Express Airways is a schedule 2 Public Entity in terms of the PFMA and is incorporated in accordance with the Companies Act 71 of 2008.
Bankers	First National Bank, division of FirstRand Limited Nedbank, division of Nedbank Group Limited
Secretary	Maryna Gie remained the Company Secretary for the financial year
Company registration number	1990/007412/30

Contents

Statement of Financial Position as at March 31, 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	3	494 044 605	390 196 961
Trade and other receivables	6	29 979 338	278 286 934
Deferred tax	4	498 748 645	331 339 152
		1 022 772 588	**999 823 047**
Current Assets			
Inventories	5	121 488 850	130 651 884
Trade and other receivables	6	494 033 456	440 238 788
Current tax receivable		2 245 764	2 245 764
Cash and cash equivalents	7	2 362 370	7 648 306
		620 130 440	**580 784 742**
Total Assets		**1 642 903 028**	**1 580 607 789**
Equity and Liabilities			
Equity			
Share capital	8	501 837 518	501 837 518
Reserves	9	1 605 954 972	356 954 972
Accumulated loss		(1 681 499 247)	(1 106 301 943)
		426 293 243	**(247 509 453)**
Liabilities			
Non-Current Liabilities			
Other financial liabilities	10	222 000 000	27 000 000
Current Liabilities			
Trade and other payables	13	686 080 726	677 250 296
Other financial liabilities	10	38 228 593	691 000 000
Provisions	11	2 207 040	14 597 619
Neutrality advance	12	268 093 426	312 976 381
Bank overdraft	7	-	105 292 946
		994 609 785	**1 801 117 242**
Total Liabilities		**1 216 609 785**	**1 828 117 242**
Total Equity and Liabilities		**1 642 903 028**	**1 580 607 789**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	2019	2018
Revenue	14	706 936 869	2 142 088 022
Other operating income	15	38 566 245	79 024 881
Other operating expenses		(1 332 895 286)	(2 286 734 836)
Operating loss	16	**(587 392 172)**	**(65 621 933)**
Investment income	18	2 529 235	1 476 851
Finance costs	19	(109 731 459)	(75 944 112)
Depreciation and amortisation	3	(39 611 855)	(80 588 191)
Gains on foreign exchange adjustment		227 532 576	9 775 682
Impairment of assets	20	(251 498 843)	(12 782 987)
Loss before taxation		**(758 172 519)**	**(223 684 687)**
Taxation	21	167 409 493	61 542 021
Loss for the year		**(590 763 026)**	**(162 142 666)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(590 763 026)**	**(162 142 666)**

Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Capital fund	Shareholder loan	Total reserves	Accumulated loss	Total equity
Balance at April 01, 2017	**452**	**501 837 066**	**501 837 518**	**-**	**356 954 972**	**356 954 972**	**(944 159 277)**	**(85 366 787)**
Loss for the year	-	-	-	-	-	-	(162 142 666)	(162 142 666)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(162 142 666)**	**(162 142 666)**
Opening balance as previously reported	452	501 837 066	501 837 518	-	356 954 972	356 954 972	(1 106 301 944)	(247 509 454)
Adjustments								
Prior period errors	-	-	-	-	-	-	15 565 723	15 565 723
Balance at April 01, 2018 as restated	**452**	**501 837 066**	**501 837 518**	**-**	**356 954 972**	**356 954 972**	**(1 090 736 221)**	**(231 943 731)**
Loss for the year	-	-	-	-	-	-	(590 763 026)	(590 763 026)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(590 763 026)**	**(590 763 026)**
Government capital injection	-	-	-	1 249 000 000	-	1 249 000 000	-	1 249 000 000
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**1 249 000 000**	**-**	**1 249 000 000**	**-**	**1 249 000 000**
Balance at March 31, 2019	**452**	**501 837 066**	**501 837 518**	**1 249 000 000**	**356 954 972**	**1 605 954 972**	**(1 681 499 247)**	**426 293 243**
Note(s)	8	8	8					

Statement of Cash Flows

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Cash used in operations	22	(386 273 100)	(52 648 973)
Interest income		2 529 235	1 476 851
Finance costs		(78 132 917)	(75 944 112)
Tax received	23	-	25 549 915
Net cash from operating activities		**(461 876 782)**	**(101 566 319)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(30 076 708)	(12 915 098)
Cash flows from financing activities			
Proceeds from government capital injection	8	1 249 000 000	-
Proceeds from other financial liabilities		472 500 000	222 000 000
Repayment of other financial liabilities		(1 085 000 000)	(91 961 394)
Movement in neutrality advance		(44 539 500)	(30 748 224)
Net cash from financing activities		**591 960 500**	**99 290 382**
Total cash movement for the year		**100 007 010**	**(15 191 035)**
Cash at the beginning of the year		(97 644 640)	(82 453 605)
Total cash at end of the year	7	**2 362 370**	**(97 644 640)**

Accounting Policies

Corporate information

South African Express Airways SOC Limited is a public company incorporated and domiciled in South Africa.

The financial statements for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 31 May 2019.

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act 71 of 2008 and The Public Finance Management Act of 1999 of South Africa, as amended.

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 30

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:

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Key sources of estimation uncertainty

Trade receivables

The company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives, depreciation method and residual values of property, plant and equipment at the end of each reporting period. The useful life of other assets and depreciation method remained unchanged as they were deemed to have remained appropriate.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 11.

Maintenance Reserves

Maintenance reserves paid to certain aircraft lessors in advance of the performance of major maintenance activities are recorded as a deposit, to the extent recoverable through future maintenance, and then recognized as maintenance expense when the underlying maintenance is performed. The recognition of the maintenance reserve asset and value thereof is subject to critical judgment by Management.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

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

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day service costs are included in profit or loss in the year in which they are incurred.

Accounting Policies

1.3 Property, plant and equipment (continued)

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Land, buildings and structures	Straight line	4 - 20 years
Containers	Straight line	20 years
Plant and machinery	Straight line	5 years
Furniture and fixtures	Straight line	3 years
Motor vehicles	Straight line	
• Technical	Straight line	10 years
• Non technical	Straight line	5 years
IT Equipment	Straight line	3 years
Leasehold improvements (limited to the shorter of the lease term or useful life of the component)		
• C Check	Straight line	2 years
• Engine overhauls	Straight line	5 years
• Landing gears	Straight line	5 years
Aircraft	Straight line	
• Air frames	Straight line	20 years
• Interior seat	Straight line	8 years
• Engines	Straight line	20 years
• Engine overhauls	Straight line	5 years
• Rotables (limited to the shorter of the cycles or useful life)	Straight line	20 years
• C Checks	Straight line	2 years
• Landing gears	Straight line	10 years

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.

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, and contrast with simpler assets that are ready for use when acquired, such as motor vehicles and equipment. Capital work in progress are not depreciated as the airline is not currently deriving any economic benefits from them.
Capital work in progress consists of assets not yet ready for use and therefore not allocated to a specific asset category

Disposal of assets
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Accounting Policies

1.3 Property, plant and equipment (continued)

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.

1.4 Financial instruments

The 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 asset

Loans and receivables

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

1.4 Financial instruments (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

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

Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

1.5 Tax

Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

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

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

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

Accounting Policies

1.5 Tax (continued)

Tax expenses

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

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

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

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

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Leases of assets to the entity under which all risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease. A straight-line asset/liability is raised for the difference between the leased payment and the lease expense.

1.7 Inventories

Inventories consist of consumable spares in stockholding to support technical maintenance. Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

1.8 Impairment of assets

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1.10 Employee benefits

Short and long-term benefits

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

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

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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1.11 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

Accounting Policies

1.11 Provisions and contingencies (continued)

- a reliable estimate can be made of the obligation.

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

1.12 Revenue

Revenue consists of passenger airline revenue, freight and mail revenue, revenue from technical services, Voyager income, and the release of unutilized 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 recognized 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.

The entity makes use of South African Airways Ltd's revenue billing system and therefore does not have it's own revenue billing system.

South African Express has adopted IFRS 15 ‘Revenue from contracts with customers’ from 1 January 2018. The standard establishes a five-step model that applies to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods and services and at a point when the performance obligations associated with these goods and services have been satisfied. The entity has identified the following changes to revenue recognition on adoption of the standard:

- Passenger revenue – revenue associated with ancillary services that was previously recognised when paid, such as administration fees, is deferred to align with the recognition of revenue associated with the related travel.
- Cargo revenue – interline cargo revenue is presented gross rather than net of related costs.
- Other revenue – Revenue associated with maintenance activities and holiday revenue with performance obligations that are fulfilled over time, is recognised over the performance obligation period.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Other Income
Other income relates to income received from handling fees and other recoveries and are recognised in profit or loss in the period in which they arise.

1.12 Revenue (continued)

Voyager

SAX Voyager, which provides a variety of awards to programme members based on a mileage credit for flights on SAX 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 SAX 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 SAX fulfils its obligations by supplying free or discounted goods or services on redemption of the accrued miles.

SAX accounts for award credits issued on SAX 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 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.

1.13 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

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

1.14 Related parties

Parties are considered to be related to the entity if the entity 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 entity and the party are subject to common control.
Related parties also include key management personnel who those persons are 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 Entity.

Accounting Policies

1.15 Maintenance costs

Owned aircraft
Major airframe and engine overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the expected life between major overhauls. All other replacement spares and other expenditure relating to maintenance of owned fleet assets is charged to profit or loss on consumption or as incurred. Major overhauls are considered to be those programmes that extend the useful life of the asset or increase its value. Major maintenance events typically consist of more complex inspections and servicing of the aircraft.

Leased aircraft
Provision is made for aircraft maintenance expenditure which the entity 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.

Sundry return costs
With regards to leased aircraft, where the entity 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.

1.16 Fruitless, wasteful and irregular expenditure

Irregular expenditure is incurred when the procurement processes are not adhered to in the procurement of goods and services.

Section 1 of the Public Finance Management Act, as amended, defines irregular expenditure and expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation.
Fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided has reasonable care been exercised.

1.17 Maintenance reserves impairment provision

Any non-refundable amounts that are not probable of being used to fund future maintenance expense are recognized as additional aircraft rental expense. In determining whether it is probable that maintenance deposits will be used to fund the cost of maintenance events, management considers the condition, including the airframe, the engines, the auxiliary power unit and the landing gear, of the related aircraft, the projected future usage of the aircraft during the term of the lease based on the Company's business and fleet plan, and the estimated cost of performing all required maintenance during the lease term. These estimates are based on the experience of the Company's maintenance personnel and industry available data, including historical fleet operating statistics reports published by the aircraft and engine manufacturers.

1.18 Maintenance plans

The Company raises a provision for the restoration of leased aircraft in accordance with the leased contracts. The prepayment made at inception of the lease is recognised as an asset and is written off/wound down against the provision as maintenance of the relevant aircraft is incurred..

1.19 Neutrality advance

The determination of the prepayment to South African Express Airways is adjusted quarterly to provide cash neutrality to both South African Airways and South African Express Airways, to compensate the Company for the loss of interest and cash flow impact caused by the delay in receiving revenue.

1.20 Statement of cash flows

The statement of cash flows is prepared on the direct method, whereby the major classes of gross cash receipts and gross payments are disclosed.

Accounting Policies

For purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held on call with banks net of bank overdrafts, all of which are available for use by the Company unless otherwise stated.

Interest is recognised, in profit or loss, using the effective interest rate method.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Foreign Currency Transactions and Advance Consideration

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after January 01, 2018.

The company has adopted the interpretation for the first time in the 2019 financial statements.

The impact of the interpretation is not material.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after January 01, 2018.

The company has adopted the amendment for the first time in the 2019 financial statements.

The impact of the amendment is not material.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

2. New Standards and Interpretations (continued)

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after January 01, 2018.

The company has adopted the standard for the first time in the 2019 financial statements.

The impact of the standard is not material.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after January 01, 2018.

The company has adopted the standard for the first time in the 2019 financial statements.

2. New Standards and Interpretations (continued)

The impact of the standard is not material.

2.2 Standards and Interpretations early adopted

The company has chosen to early adopt the following standards and interpretations:

2.3 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after April 01, 2019 or later periods:

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after April 01, 2019 or later periods but are not relevant to its operations:

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after January 01, 2021.

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the standard will have a material impact on the company's financial statements.

Prepayment Features with Negative Compensation - Amendment to IFRS 9

The amendment to Appendix B of IFRS 9 specifies that for the purpose of applying paragraphs B4.1.11(b) and B4.1.12(b), irrespective of the event or circumstance that causes the early termination of the contract, a party may pay or receive reasonable compensation for that early termination.

The effective date of the amendment is for years beginning on or after January 01, 2019.

The company does not envisage the adoption of the amendment until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after January 01, 2019.

The company does not envisage the adoption of the amendment until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

The effective date of the amendment is for years beginning on or after January 01, 2019.

2. New Standards and Interpretations (continued)

The company does not envisage the adoption of the amendment until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after January 01, 2019.

The company does not envisage the adoption of the interpretation until such time as it becomes applicable to the company's operations.

It is unlikely that the interpretation will have a material impact on the company's financial statements.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

The effective date of the standard is for years beginning on or after January 01, 2019.

2. New Standards and Interpretations (continued)

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

The impact of this standard is currently being assessed.

3. Property, plant and equipment

	2019			2018		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Leasehold improvements - aircraft	259 368 777	(252 749 822)	6 618 955	251 556 107	(244 866 129)	6 689 978
Plant and machinery	33 599 310	(32 714 811)	884 499	33 610 819	(32 140 295)	1 470 524
Motor vehicles	3 031 733	(3 031 733)	-	3 031 733	(3 031 733)	-
Rotables	424 842 094	(178 012 016)	246 830 078	404 281 178	(145 520 546)	258 760 632
Land, building and structures	1 260 562	(917 711)	342 851	1 260 562	(881 340)	379 222
Aircraft	992 432 276	(818 656 109)	173 776 167	859 279 107	(806 567 144)	52 711 963
Containers	5 650	(5 650)	-	5 650	(5 650)	-
Capital work in progress	65 592 055	-	65 592 055	70 184 642	-	70 184 642
Total	**1 780 132 457**	**(1 286 087 852)**	**494 044 605**	**1 623 209 798**	**(1 233 012 837)**	**390 196 961**

Reconciliation of property, plant and equipment - 2019

	Opening balance	**Additions**	**Disposal**	**Transfers**	**Depreciation**	**Total**
Leasehold improvements - aircraft	6 689 978	7 812 670	-	-	(7 883 693)	6 618 955
Plant and machinery	1 470 524	-	-	-	(586 025)	884 499
Rotables	258 760 632	10 142 238	(3 055 990)	-	(19 016 802)	246 830 078
Land, buildings and structures	379 222	-	-	-	(36 371)	342 851
Aircraft	52 711 963	133 153 168	-	-	(12 088 964)	173 776 167
Capital work in progress	70 184 642	-	-	(4 592 587)	-	65 592 055
	390 196 961	**151 108 076**	**(3 055 990)**	**(4 592 587)**	**(39 611 855)**	**494 044 605**

Property, plant and equipment encumbered as security

The company has not pledged any of its assets as security and does not have any encumbered assets as security for long-term borrowings.

Figures in Rand	2019	2018

4. Deferred tax

Deferred tax liability

Deferred tax asset

Tax losses available for set off against future taxable income	498 748 645	331 339 152

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax asset	498 748 645	331 339 152

Reconciliation of deferred tax asset / (liability)

At beginning of year	331 339 152	269 797 131
Prior year over/under	-	2 199 513
(Originating)/reversing difference interest	-	230 160
Taxable / (deductible) temporary difference movement on tangible fixed assets	-	17 094 488
(Originating)/Reversing difference on amounts received in advance	-	(8 609 503)
(Originating)/ emporary difference on assessed loss	167 409 493	65 018 689
Originating/(reversing) temporary difference on maintenance reserve	-	(15 872 398)
Taxable/(deductible) temporary difference on provisions	-	(109 181 090)
Taxable/(deductible) temporary difference on intangible assets	-	(27 950)
Taxable/(deductible) temporary difference on prepayments	-	110 690 112
	498 748 645	**331 339 152**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

5. Inventories

Opening balance	130 651 884	149 501 175
Utilized in maintenance services	-	(6 066 305)
Write-down of inventories recognised as an expense during the year	(14 737 079)	(12 782 986)
Net movements	5 574 045	-
	121 488 850	**130 651 884**

Notes to the Financial Statements

Figures in Rand	2019	2018

6. Trade and other receivables

	2019	2018
Financial instruments:		
Trade receivables	216 859 662	368 148 433
Maintenance reserves	189 546 705	278 286 934
Loss allowance	-	(5 028 100)
Trade receivables at amortised cost	406 406 367	641 407 267
Deposits	39 104 083	36 530 889
Provision: Maintenance reserves write down	-	(6 845 275)
Prepayments	47 691 551	36 192 312
Non-financial instruments:		
VAT	30 245 870	10 072 193
Employee costs in advance	564 923	1 168 336
Total trade and other receivables	**524 012 794**	**718 525 722**

Split between non-current and current portions

	2019	2018
Non-current assets	29 979 338	278 286 934
Current assets	494 033 456	440 238 788
	524 012 794	**718 525 722**

Trade and other receivables pledged as security

The company has not pledged any categories of trade and other receivable as security.

Credit quality of trade and other receivables

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At March 31, 2019, R 830 731 (2018: R 1 132 234).

	2019	2018
3 months past due	830 731	1 132 234
More than 120 days past due	13 991 635	-
Total	**14 822 366**	**1 132 234**

Trade and other receivables impaired

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash on hand	76 454	73 275
Other cash and cash equivalents	2 285 916	7 575 031
Bank overdraft	-	(105 292 946)
	2 362 370	**(97 644 640)**
Current assets	2 362 370	7 648 306
Current liabilities	-	(105 292 946)
	2 362 370	**(97 644 640)**

The carrying value of cash and cash equivalents approximates their fair values

	2019	2018
The total amount of undrawn facilities available for future operating activities and commitments	-	10 707 054

Figures in Rand	2019	2018

7. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
B	2 362 370	-
BB	-	(97 644 640)
	2 362 370	**(97 644 640)**

The airline had an overdraft facility of R116 000 000 for the period 1 April 2018 until 20 July 2018 which was topped up to R156 500 000 until 28 February 2019. The overdraft was secured by a guarentee from the Shareholder and was repaid on the 28 February 2019.

Notes to the Financial Statements

Figures in Rand	2019	2018

7. Cash and cash equivalents (continued)

Facilities available with Nedbank Limited

Letters of credit	20 000 000	20 000 000

Facilities available with First National Bank Limited

Direct working capital	-	116 000 000
Contingent ST	-	150 000
Contingent LT	30 722 942	39 850 000
Presettlement	-	10 000 000
Settlement	-	32 000 000
	30 722 942	**198 000 000**

8. Share capital

Authorised		
1000 Ordinary shares of R1 each	1 000	1 000

Describe any changes in authorised share capital e.g. Conversion to net present value shares.

Issued		
452 Ordinary shares of R1 each	452	452
Share premium	501 837 066	501 837 066
	501 837 518	**501 837 518**

9. Reserves

Capital reserves comprise of an interest free loan from the Shareholder (Department of Public Enterprises), where the Company has no contractual obligation to deliver cash or another financial asset to the Shareholder. The instrument will or may be settled in the issuer's own equity instrument, if ever called upon, Included in the reserve is the capital injection from government which was received on the 31 January 2019 and on the 12 February 2019.

*Capital fund	1 249 000 000	-
Shareholder loan - Department of Public Enterprises	356 954 972	356 954 972
	1 605 954 972	**356 954 972**

* A temporary reserve was created for the capital injection until the share valuation process is finalised. The reserve will then be transferred to share premium once the share certificate is issued.

10. Other financial liabilities

Held at amortised cost		
Nedbank Limited The loan is repayable as follows: R104 379 257 on 30 November 2018 ; R124 922 600 on 24 February 2019; R12 538 700 on 24 February 2020. Interest is payable quarterly at prime plus 2%. The loan is secured by a Shareholder guarantee. This loan was settled 1 February 2019.	-	230 300 000
Rand Merchant Bank Limited The loan is repayable as follows: R119 120 743 on 30 November 2018 R144 077 400 on 24 February 2019; R14 461 300 on 24 February 2020. Interest is payable quarterly at prime plus 2%. The loan is secured by a Shareholder guarantee. This loan was settled 1 February 2019.	-	265 700 000
Transnet Loan *	260 228 593	222 000 000
	260 228 593	**718 000 000**

Notes to the Financial Statements

Figures in Rand	2019	2018

10. Other financial liabilities (continued)

Loan reconciliation

Opening balance	718 000 000	496 000 000
Funds raised	473 000 000	222 000 000
Interest capitalised	38 228 593	-
Loans repaid	(969 000 000)	-
	260 228 593	**718 000 000**

Transnet Loan * Initial terms
Loan period: 12 months from the advance date excluding any government guarantee, which period may be extended by mutual agreement with government guarantee.
Effective date: 7 February 2018
Interest rate: weighted average cost of the debt plus 200bps excluding any government guarantee and will be amended to 11.5% fixed rate with government guarantee in the event the period is extended beyond 12 months
Interest payment: Interest to accrue daily and paid bi-annually in arrears
Capital repayments: At the end of 12 month period or mutually agreed extended period effective from advance date
Surety: Unsecured

Transnet Loan *Re-negotiated terms
The loan from Transnet is being renegotiated, below are the negotiated terms;

Loan period: 7 years
Effective date: 1 April 2019
Interest rate: Floating Transnet WACD plus 50bps, accrued monthly
Interest payment:
- April - September 2019: all accrued interest to be capitalised
- October – March 2020: 50% of monthly interest payable, balance to be capitalised
- April 2020 onwards: 100% of monthly interest as part of repayments

Capital repayments: amortising monthly in arrears, commencing 30 April 2020
Date of last payment: 31 March 2026
Surety*:* Unsecured

Split between non-current and current portions

Non-current liabilities	222 000 000	27 000 000
Current liabilities	38 228 593	729 228 593
	260 228 593	**756 228 593**

11. Provisions

Reconciliation of provisions - 2019

	Opening balance	**Additions**	**Reversed during the year**	**Total**
Aircraft restoration	14 597 619	2 207 040	(14 597 619)	2 207 040

Reconciliation of provisions - 2018

	Opening balance	**Additions**	**Reversed during the year**	**Total**
* Aircraft restoration	398 000 350	12 673 790	(396 076 521)	14 597 619

The provision for aircraft restoration relates to estimated restoration costs that the Company is expected to carry out during the term of the lease contract and also at the end of the operating lease. There is no expected reimbursement in respect of this provision.

*Prior year error corrected through retained earning

Notes to the Financial Statements

Figures in Rand	2019	2018

12. Neutrality advance

The determination of the pre-payment to South African Express Airways is adjusted quarterly to provide cash neutrality to both South African Airways and South African Express Airways, to compensate the Company for the loss of interest and cash flow impact caused by the delay in receiving revenue.

Opening balance	312 976 381	343 724 605
(Paid)/received during the year	-	(30 748 224)
UTL offset	(44 882 955)	-
	268 093 426	**312 976 381**

13. Trade and other payables

Financial instruments:		
Trade payables	582 996 880	567 982 173
Workmens compensation fund	796 863	(315 186)
Accrued leave pay	23 292 597	16 030 385
Accrued expense - lease smoothing	61 972 973	76 103 084
Accrued expense - employee costs	16 298 745	3 520 205
Accrued interest	(636 675)	10 478 326
Other payables	1 359 343	3 451 309
	686 080 726	**677 250 296**

Fair value of trade and other payables

The carrying value of trade and other payables approximate their fair values. Trade and other payables balances are short term in nature and thus approximate their fair value

14. Revenue

Revenue from contracts with customers		
Cargo revenue	6 341 287	16 394 161
Passenger revenue	675 862 178	2 065 245 806
Release of unutilised air traffic liability to revenue	22 617 778	48 323 995
Voyager revenue	2 115 626	12 124 060
	706 936 869	**2 142 088 022**

15. Other operating income

Insurance and other recoveries	8 534 551	3 501 468
Sundry income	30 031 694	75 523 413
	38 566 245	**79 024 881**

Notes to the Financial Statements

Figures in Rand	2019	2018

16. Operating profit (loss)

Operating loss for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external		
Audit fees	5 506 260	4 932 255
Auditor's remuneration - internal	**(185 785)**	**222 002**
Remuneration, other than to employees		
Administrative and managerial services	4 341 366	9 834 102
Consulting and professional services	7 843 152	18 078 133
	12 184 518	**27 912 235**

Notes to the Financial Statements

Figures in Rand	2019	2018

16. Operating profit (loss) (continued)

Leases

Operating lease charges		
Premises	21 263 305	17 643 064
Motor vehicles	2 371 525	2 495 960
Equipment	7 276 055	8 839 375
Aircraft	264 054 561	321 674 508
	294 965 446	**350 652 907**

Depreciation and amortisation		
Depreciation of property, plant and equipment	39 611 855	80 588 191

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Employee costs	489 969 506	531 138 740
Operating lease charges	294 965 446	350 652 907
Depreciation, amortisation and impairment	39 611 855	80 588 191
Other expenses	547 960 334	1 404 943 189
	1 372 507 141	**2 367 323 027**

17. Employee costs

Employee costs		
Basic	369 333 541	385 365 679
13th Cheque	24 620 861	33 721 688
Medical aid - company contributions	25 629 430	26 706 680
UIF	1 451 656	1 579 991
WCA	1 112 048	1 221 221
SDL	4 518 474	4 692 837
Other payroll levies	462 924	1 752 179
Leave pay provision charge	16 443 925	15 214 559
Short term benefit	9 852 068	10 167 041
Subsistence allowance	9 856 153	19 584 190
Other short term costs	4 176 411	5 691 919
Retirement benefit plans	22 512 015	25 440 756
	489 969 506	**531 138 740**

18. Investment income

Interest income		
Investments in financial assets:		
Bank and other cash	2 529 235	1 476 851

19. Finance costs

Non-current borrowings	109 731 459	75 944 112

Notes to the Financial Statements

Figures in Rand	2019	2018

20. Impairment of assets

Material impairment losses (recognised) reversed		
Inventory write down/write-up	(14 737 079)	(12 782 987)
Write down of maintenance reserves	(234 087 798)	-
Impairment of rotables	(2 673 966)	-
	(251 498 843)	**(12 782 987)**

21. Taxation

Major components of the tax income

Deferred		
Prior year over/under - deferred tax	-	2 199 513
Deferred taxation - current year	(167 409 493)	(63 741 534)
	(167 409 493)	**(61 542 021)**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28,00 %	28,00 %
Increase in tax rate	- %	1,02 %
Other	(3,35)%	(0,59)%
	24,65 %	**28,43 %**

The estimated tax loss available for set off against future taxable income is R(1 850 426 612) (2018: R (1 182 976 142)).

22. Cash used in operations

Loss before taxation	(758 172 519)	(223 684 687)
Adjustments for:		
Depreciation and amortisation	39 611 854	80 588 191
Gain on foreign exchange	(227 532 577)	-
Interest income	(2 529 235)	(1 476 851)
Finance costs	109 731 459	75 944 112
Fair value losses	-	10 182 797
Net impairments and movements in credit loss allowances	251 498 844	-
Movements in provisions	(12 390 579)	(383 402 731)
Bad debts	1 003 264	-
Amortisation of training bonds	-	893 200
Non cash movement - rotable and consumable valuation	-	12 782 987
Changes in working capital:		
Inventories	9 163 034	6 716 681
Trade and other receivables	194 512 926	341 449 135
Trade and other payables	8 830 429	27 358 193
	(386 273 100)	**(52 648 973)**

23. Tax refunded

Balance at beginning of the year	2 245 764	27 795 679
Balance at end of the year	(2 245 764)	(2 245 764)
Tax refund received during the year	**-**	**25 549 915**

Figures in Rand	2019	2018

24. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	217 716 444	232 026 855
- in second to fifth year inclusive	318 679 696	532 371 519
- later than five years	9 994 703	14 442 737
	546 390 843	**778 841 111**

South African Express Airways has entered into various lease agreements with third parties in respect of aircraft and premises for its day to day operations. The lease periods on aircraft range from three to five years and one to five years on buildings.

25. Contingencies

Legal action was been instituted against Bagport (Pty) Limited by the Company. SA Express has served two letters of demand to the entity and Bagport subsequently issued a similar demand on the Company. This demand led to the initiating of a summons against the Company in December 2016. The Company also lodged a counter-claim which includes a claim for monies owed by Bagport to the Company and is challenging the validity of Bagport's contract based on irregularities which led to their appointment. Bagport's claim is also based on the settlement agreement which was signed by the erstwhile CEO Mr. I Ntshanga which did not follow internal controls and approval processes as per SA Express's delegation of authority. This matter is still pending, the possible financial impact is R4 748 374.

In February 2017, a contract was entered into with Solenta Aviation for four aircraft for the period 1 February 2017 to 31 July 2017. In March 2017, SA Express was sent a letter stating that Solenta had opted to terminate further flights from 4 March 2017. This notice was constructed as a repudiation of the agreement and SA Express accepted this repudiation on 5 April 2017. Solenta disputes that the grounding notice was a termination of services and issued a final demand for payment of the full outstanding debt as well as the minimum hours for April 2017 in an amount of R63 193 378. In May 2017, SA Express conceded to owing an amount of R39 021 309. The conceded amount was paid in two instalments with the final amount being paid in July 2017. There is still an amount of R12 022 668, which relates to disputed invoices from March 2017. The dispute was referred for arbitration hearing and was heard on the 21-22 January 2019. The judgment was handed down on 25 January 2019 in favour of SA Express. Solanta filed an appeal against the decision the arbitration the appeal was scheduled for the 17 May 2019. The parties are awaiting the outcome of the appeal .

SA Express and Africa Charter Airline entered into an aircraft lease agreement. Africa Charter Airline is claiming outstanding lease rentals amounting to R 14 035 063.38. A proposed payment plan by SA Express was rejected by Africa Charter Airline.SA Express has appointed external attorneys to resolve the matter.

SA Express lodged an application to terminate the appointment of Koreneka as a Management Company at the Mafikeng Airport. Koreneka has never invoiced SAX before. SA Express is disputing the validity of the contract. This contract was also deemed irregular. The matter is ready for set down in court.

SA Express and Flyfofa entered into an aircraft lease agreement. The said agreement was a second lease agreement with a reduced rate compared to the first agreement While in the process of settling outstanding payments with Flyfofa, it transpired that Flyfofa was charging SA Express the incorrect rate as per the expired contract (first contract).This contract was deemed to be irregular. SA Express is disputing approximately R 7 000 000,00 of the claim. Flyfofa is claiming R29 946 463.57, the matter will be heard was heard on the 13 May 2019 and Judgment was reserved.

SA Express and Namane executed an engine lease agreement. Namane is claiming outstanding lease fees from SA Express amounting to R26 747 228.18. Namane issued a settlement agreement on the 06 February 2019. SA Express is not prepared to sign the settlement agreement as the amount is still being verified by SA Express. SA Express has appointed external attorneys to resolve the matter. This contract was also deemed irregular.

25. Contingencies (continued)

Since the inception of the Revenue Accounting agreement that is administered by South African Airways (SOC) Ltd (SAA) through its revenue accounting system called APRA. Prior to the introduction of APRA in May 2015, SAA was using a system called RAPID introduced in 2006 and was mainly sales based which in essence could not calculate nor determine all the revenues that were due and payable to South African Express Airways (SOC) Ltd (SA Express) with accuracy; as a result most of what was due to SA Express could not be paid over. Another challenge that SA Express was facing was that of lack of information sharing from SAA in order for SA Express to validate what was due and payable was truly correct. SAA only started shared this data towards the end of last year and SA Express could only fully utilise and validate its revenue leakages from SAA in February 2019. The values of the above which have been validated amount to R108m in DU Tax (SA Express Sectors Only) and R64m DU Tax from OAL and SA Express, Credit Card Commissions of R4.3m, Refunds Cancellation Fees amounting to R231m as this will be receivable on the acknowledgement of debt by SAA.

South African Express Airways (SOC) Limited has taken out the following guarantees with First National Bank in order to provide assurance should they default with regards to certain terms with the contracts signed:

	2019	2018
Airports Company of South Africa	110 822	110 822
Commissioner for Customs and Excise	-	275 000
Richards Bay Airport Company (Proprietary) Limited	1 737 529	2 320 360
Lighthous	-	6 441 600
Air Traffic Navigation Services Limited	9 950 000	9 950 000
SAF CRJ-200LR MSN 7789 LLC	1 948 591	-
Customs and excise	275 000	-
Royal Scot Leasing Limited	9 376 000	8 588 800
Bombardier	7 325 000	6 710 000
	30 722 942	**34 396 582**

South African Express Airways (SOC) Limited has taken out the following guarantees with Nedbank Limited in order to provide assurance should they default with regards to certain terms within the contracts signed:

	2019	2018
Q400 Leasing (SOC) Limited	20 000 000	20 000 000
Rand Merchant Bank	20 300 000	20 300 000
	40 300 000	**40 300 000**

26. Related parties

Relationships

Ultimate holding company	Department of Public Enterprises on behalf of the South African Government
Significant third party	South African Airways SOC Limited Denel SOC Limited SAA Technical (Proprietary) Limited SAA Cargo - a Division of South African Airways SOC Limited Airchefs (Proprietary) Limited
Members of key management	A. Malola Phiri B. Tshabalala F. Thabethe I. Findlay (Captain) M. Selepe S. Mzimela T. Mpshe T. Mogotsi

Figures in Rand	2019	2018

26. Related parties (continued)

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
South African Airways SOC Limited	-	268 803 658
South African Airways Cargo - a Division of South African Airways SOC Limited	-	2 890 289
South African Airways SOC Limited	(40 415 697)	(128 082 664)
South African Airways Technical (Proprietary) Limited	-	(10 405 205)
South African Airways Cargo - a Division of South African Airways SOC Limited	(13 385)	(340 755)
Airchefs (Proprietary) Limited	(2 039 510)	(3 483 683)
Denel SOC Limited	(5 265 863)	(8 225 242)
Other related parties	-	(39 373 865)
Neutrality advance owing (to)by related parties		
South African Airways SOC Limited	(268 093 426)	(312 976 381)

Related party transactions

Purchases from (sales to) related parties		
South African Airways SOC Limited	80 162 916	(2 027 567 096)
South African Airways Cargo - a Division of South African Airways SOC Limited	-	(16 394 161)
Denel SOC Limited	5 172 197	9 847 249
Airchefs (Proprietary) Limited	1 444 173	2 067 889
South African Airways SOC Limited	-	724 040 660
South African Airways Cargo - a Division of South African Airways SOC Limited	354 140	75 644
South African Airways Technical (Proprietary) Limited	93 706 666	4 224 088
Other related parties	-	200 416 781

Nature of relationships

South African Airways (SOC) Limited and Denel (SOC) Limited are state owned companies and therefore have the same shareholders as South African Express Airways (SOC) Limited.

South African Airways (SOC) Limited holds 100 % shareholding in Airchefs (Proprietary) Limited, SAA Cargo (Proprietary) Limited and SAA Technical (Proprietary) Limited.

Other related parties include other entities which are owned or operated by the Shareholder.

Terms of related party receivables

South African Airways SOC Limited

Payment in respect of flown revenue and relevant levies and taxes for the given month of operation shall be transferred by direct bank deposits on the 7th and 20th of each month following the month of operation, and if this falls over a weekend, the transfer is to take place on the following Monday.

Airchefs (Proprietary) Limited

South African Express SOC Limited shall effect payment to Airchefs (Proprietary) Limited within 30 days after receipt of the original invoice and statement.

Denel SOC Limited

The capital sum shall bear interest at 8.5% per annum, compounded monthly and calculated on the reducing balance outstanding from time to time. South African Express Airways SOC Limited shall pay the capital sum together with the interest accrued from time to time in six installments.

South African Airways Cargo - a Division of South African Airways SOC Limited

Payment will be effected by South African Express to SAA Cargo, 30 days from the date of the original invoice and statement.

South African Airways Technical (Proprietary) Limited

26. Related parties (continued)

Payment will be effected by South African Express to SAA Technical, 30 days from the date of the original invoice and statement.

Key management

Key management includes the executive directors and the executive management team.

27. Directors' and prescribed officer's emoluments

Executive

2019

	Emoluments	Total
M. Mokholo	538 258	538 258
S. Mzimela	1 920 988	1 920 988
M. Selepe	1 377 015	1 377 015
	3 836 261	**3 836 261**

2018

	Emoluments	Other benefits*	Pension paid or receivable	Total
M. Shelley	1 197 092	123 077	60 000	1 380 169

Non-executive

2019

	Directors' fees	Total
T. Ramano	710 854	710 854
B. Mpondo	295 508	295 508
A Bassa	257 177	257 177
T January-Mclean	214 358	214 358
T. Kgomo	214 358	214 358
T. Abrahams	280 285	280 285
T. Leoka	297 956	297 956
K Thaver	273 442	273 442
H. Makhathini	232 418	232 418
R. Lamola	290 346	290 346
	3 066 702	**3 066 702**

2018

	Directors' fees	Total
T. Abrahams	326 545	326 545
P. Ramosebudi	347 615	347 615
G. Mothema	702 912	702 912
G. Sibiya	362 223	362 223
R. Naithani	433 434	433 434
N. Nkabinde	321 109	321 109
B. Dibate	401 546	401 546
	2 895 384	**2 895 384**

27. Directors' and prescribed officer's emoluments (continued)

Executive management emoluments

2019

	Emoluments	Total
I. Findlay	2 438 637	2 438 637
T. Mogotsi	1 185 454	1 185 454
K. Kunene	1 461 765	1 461 765
S. Reiling	363 843	363 843
R. Masemola	432 721	432 721
M. Selepe	1 322 397	1 322 397
M. Gie	1 098 690	1 098 690
M. Attias	1 245 289	1 245 289
L. Tshitaudzi	529 159	529 159
E. Hamilton	813 908	813 908
M. Mabotha	462 700	462 700
B. Tshabalala	547 318	547 318
D. Allanby	758 474	758 474
M. Mpshe	727 177	727 177
A. Phiri	501 101	501 101
K. Nkala	1 061 598	1 061 598
M. Mochoele	211 272	211 272
M. Shelley	109 955	109 955
P. Moabelo	180 704	180 704
S. Vilakazi	1 475 986	1 475 986
	16 928 148	**16 928 148**

2018

	Emoluments	Other benefits*	Pension paid or receivable	Total
K. Nkala	1 108 830	21 947	30 979	1 161 756
M. Mochoele	1 105 208	137 805	28 125	1 271 138
P.C. Moabelo	1 114 087	49 474	65 625	1 229 186
S.S. Vilakazi	1 177 853	72 615	65 000	1 315 468
	4 505 978	**281 841**	**189 729**	**4 977 548**

28. Prior period errors

The following prior period errors were corrected through retained earnings:

Financial Statement Item Affected	Description of Error	Amount in Rand
Accumulated Depreciation - Rotables	This was a correction that resulted from the December stock count results.	10 051 022
Airfreight Cost	In prior years the airfreight cost was expensed instead of capitalized. A reallocation was done from airfreight cost to work in progress (asset account). This was in order to identify which assets the cost applied to and thus adjust the individual assets accordingly. However, this exercise is impracticable because there is no data available to identify the individual assets.	10 523 243
Provision for Future Maintenance Plan (FMP	The Pratt and Whitney contract expired in the prior years. There is no obligation from SAX to provide for any aircraft restoration cost.	(14 597 619)

28. Prior period errors (continued)

Provision for Maintenance Reserve	In the year 2016 there was an audit finding which required the maintenance reserve account to be written off. The write-off was done – Dr Impairment and Cr Provision for Maintenance Reserve. In 2017 a journal was processed - Dr Maintenance reserve and Cr Provision for Maintenance Reserve for the same amount relating to the same transaction. The provision for maintenance reserve was thus credited twice. The correction directly through the retained earnings account is because maintenance reserve were written off in the current year and this journal would have reduced the balance further.	(6 845 275)
Provision for bad debts	The provision for bad debts that was previously raised was reversed due to incorrect application of accounting principle and was not approved.	5 028 100

29. Financial instruments and risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

The debt includes long-term interest bearing borrowings and short-term borrowings, including accounts payable and bank overdrafts.

Equity includes government equity injection funds which are ring fenced for funding of the company's guaranteed debt to ensure that the entity returns to profitability with financial performance metrics similar to those of its world class peers.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The company has an obligation to maintain equity in excess of R1 billion as per the financial institution covenants (refer to the Directors report, going concern paragraph). The company did not comply with the covenant, however The Minister of Finance has granted South African Express Airways (SA EXPRESS) Government Guarantee of R1.740 billion to a government guarantee is in place to satisfy the financial institution.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by a central treasury department (company treasury) under policies approved by the board.The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

29. Financial instruments and risk management (continued)

At March 31, 2019	Less than 1 year	Between 1 and 2 years	Total
Borrowings	260 228 593	-	260 228 593
Trade and other payables	674 917 268	-	674 917 268
	935 145 861	**-**	**935 145 861**

At March 31, 2018	Less than 1 year	Between 1 and 2 years	Total
Borrowings	222 000 000	496 000 000	718 000 000
Trade and other payables	601 147 213	-	601 147 213
	823 147 213	**496 000 000**	**1 319 147 213**

Trade and other payable excludes the lease smoothing for which the undiscounted obligation is detailed in Note 13.

Interest rate risk

SAX is exposed to interest rate risk as it borrows and places funds. This risk is managed by managing the entity's exposure on long-term loans and placing surplus funds in investments that yield a market-linked return.

Management reviews the interest rate risk on an ongoing basis. Where new loans are entered into, management compares interest rates offered by various institutions and where considered more favourable, may enter into loans in foreign currency. The interest rate risk is viewed in conjunction with the foreign exchange risk.

SAX, as part of its financing activities, enters into foreign denominated interest-bearing loans. The foreign exchange rate exposure is monitored by management in conjunction with the interest rate exposure which would have been incurred had a Rand-denominated loan been taken out.

Figures in Rand	2019	2018
Other financial liabilities - variable interest rates	260 228 593	718 000 000
Bank overdraft - Fixed interest rate	-	105 292 946
	260 228 593	**823 292 946**

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2018: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Loss for the year		**Equity**	
	1%	**-1**	**1**	**-1**
31 March 2019	2 699 301	(2 660 063)	3 699 301	(2 660 063)
31 March 2018	578 194	(578 755)	578 194	(576 755)

Notes to the Financial Statements

29. Financial instruments and risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2019**	**2018**
Trade receivables	217 862 925	421 596 661
Provision for doubtful debts	-	(5 028 100)
	217 862 925	-
	217 862 925	**416 568 561**

Cash deposits	39 104 083	36 530 889
Other cash equivalents	-	7 575 031
Maintenance reserve	189 546 708	278 286 934
Provision for maintenance reserve asset	-	(6 845 275)
	228 650 791	**315 547 579**

The company does not hold any collateral security in relation to the above accounts

Foreign exchange risk

The airline's transactions are carried out in ZAR. Exposures to currency exchange rates arise from the airline's sale of tickets and purchase of aircraft spare parts, lease rental payments, maintenance reserve payments and deposits and guarantee payments which are primarily denominated in US dollars (USD) and Euro (EUR).

To mitigate the airline's exposure to foreign currency risk, non-ZAR cash flows are monitored and foreign currency denominated revenue and expenditure provides for a natural hedge. The airline does not hedge foreign exchange fluctuations.

Foreign currency denominated financial assets and liabilities which expose the airline to currency risk are disclosed below. The amounts shown are those reported to key management translated into ZAR at the closing rate:

Account balances exposed to foreign currency at the end of the reporting period

Financial assets:			
Trade and receivables	6	212 834 825	363 120 333
Deposits		39 104 083	36 530 889
Maintenance Reserve		189 546 705	278 286 934
Prepayments		47 691 551	36 192 312
Financial liabilities:			
Trade and payables	13	(446 148 538)	(413 649 509)
		43 028 626	**300 480 959**

Exchange rates

The following table illustrates the sensitivity of profit and equity in regards to the airline's financial lassets and financial liabilities and the USD/ZAR exchange rate and EUR/ZAR exchange rate 'all other things being equal'. It assumes a +/- 2% change of the ZAR/USD exchange rate for the year ended at 31 March 2019 (2018: 2%).

Notes to the Financial Statements

29. Financial instruments and risk management (continued)

If the ZAR had strengthened against the USD by 2% (2018: 2%) and EUR by 1% (2018: 1%) respectively then this would have had the following impact:

	Loss for the Year USD	EUR	Total	Equity USD	EUR	Total
1 March 2019	12 686 466	4 072 356	16 758 822	6 931 860	2 225 127	9 156 987
31 March 2018	3 242 853	1 040 956	4 283 809	4 950 189	1 589 011	6 539 200

If the ZAR had weakened against the USD by 2% (2018: 2%) and EUR by 1% (2018: 1%) respectively then this would have had the following impact:

	Loss for the Year USD	EUR	Total	Equity USD	EUR	Total
1 March 2019	(12 686 466)	(4 072 356)	(16 758 822)	(6 931 860)	(2 225 127)	(9 156 987)
31 March 2018	(3 242 853)	(1 040 956)	(4 283 809)	(4 950 189)	(1 589 011)	(6 539 200)

30. Going concern

We draw attention to the fact that at March 31, 2019, the company had accumulated losses of R (1 681 499 247) and that the company's total assets exceed its liabilities by R 426 293 243.

The directors believe that the airline has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the airline is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company. We draw attention to the fact that at March 31, 2019, the airline has a positive equity position of R 426 293 243 and that the company's total assets exceed its total liabilities.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Briefly, below are some of the factors that the Directors considered for the period 1 April 2018 to 31st March 2019 that ensure that the going concern assumption is appropriate:

- The Airline was provided with a capital injection of R1.249 billion on the 31st January 2019 which resulted in an improved solvency position.
- The Airline is also in discussion with an off-shore bank to provide further long term funding for it capital expenditure requirements.
- No legislative, regulatory or policy changes that negatively affect and impact the Company have been made;
- The Airline has made significant cost savings and further cost containment measures are expected to be made in the foreseeable future
- The Company's liquidity requirement is assessed by assessing the cash required by the company against the cash and funding available.

Further to the above points, the Company's going concern status is also informed by its G-POCH strategy and its funding plan that has been implemented.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company.

31. Events after the reporting period

On the 15th May 2019, the company announced to all its employees that it will be embarking on a section 189A (retrenchment process).

The government approved a cash injection of R300 million to the entity on Friday, 30 August 2019 which will further enhance the solvency of the airline as well as providing the liquidity required to operate a stable and profitable schedule.

The Directors are not aware of any other material event which occurred after the reporting date and up to the end of this report.

32. Fruitless and wasteful expenditure

Figures in Rand	2019	2018
Analysis of Current fruitless and wasteful expenditure		
Interest on late payments: Transnet Loan	8 040 079	-
Penalties for late payments	42 710 537	19 635 858
Amounts recoverable	-	-
	50 750 616	**19 635 858**

Interest and penalties on late payments are not recoverable as they are a result of the cash flow problems, liquidity challenges experienced during the year.

33. Irregular expenditure

	2019	**2018**
Opening balance	677 927 073	424 088 548
Total irregular expenditure for the year	156 073 302	253 838 525
	834 000 375	677 927 073
Condoned	-	-
Closing balance	**834 000 375**	**677 927 073**

During the current year, all irregular expenditure for the prior year was assessed to determine if it could be condoned or not.

Details of irregular expenditure condoned after year end:

Expired contracts

During the current year, expenses that were incurred on expired contracts were identified. This was as a result of ineffective contract management and the deficiencies are being dealt with to prevent further irregular expenditure. Appropriate disciplinary action will be taken to ensure the processes are followed in future.	67 809 079	-

Procurement process not followed

Figures in Rand	2019	2018
During the current year, it was necessary to obtain short term leases for the aircraft to meet operating requirements. It was not possible to follow procurement processes due to the timing constraints involved. Although the procurement process was not followed correctly, the expenditure was incurred for valid expenses and will therefore not be recovered from a specific individual. Appropriate disciplinary action will be taken to ensure the processes are followed in future.	40 165 119	-

Deficiencies in procurement processes

During the year a number of expenses were identified where the procurement process was not followed in its entirety. Appropriate disciplinary action will be taken to ensure the processes are followed in future.	48 099 105	-

Details of irregular expenditure not condoned and not recoverable

33. Irregular expenditure (continued)

Deficiencies in procurement process

Details of irregular expenditure still under investigation		
During the year a number of expenses were identified where the procurement process was not followed in its entirety. Investigations are underway to identify the reasons for the irregular expenditure before it can be condoned by the appropriate authority. Once investigations are complete, appropriate action will be taken against the responsible individuals.	-	253 838 548

Breakdown of irregular expenditure under investigation for current year		
Expired and evergreen contracts	67 809 079	-
Procurement processes not followed	40 165 119	-
Deficiencies in procurement process	48 099 105	-
	156 073 303	**-**

Detailed Income Statement

Figures in Rand	Note(s)	2019	2018
Revenue			
Voyager revenue		2 115 626	12 124 060
Release of unutilised air traffic liability to revenue		22 617 778	48 323 995
Passenger revenue		675 862 178	2 065 245 806
Cargo revenue		6 341 287	16 394 161
	14	**706 936 869**	**2 142 088 022**
Cost of sales		-	-
Other operating income			
Insurance and other recoveries		8 534 551	3 501 468
Sundry income		30 031 694	75 523 413
	15	**38 566 245**	**79 024 881**
Expenses (Refer to page 91)		**(1 332 895 286)**	**(2 286 734 836)**
Operating loss	16	**(587 392 172)**	**(65 621 933)**
Investment income	18	2 529 235	1 476 851
Finance costs	19	(109 731 459)	(75 944 112)
Other non-operating gains (losses)			
Fair value losses		(63 578 123)	(83 595 493)
Loss before taxation		**(758 172 519)**	**(223 684 687)**
Taxation	21	167 409 493	61 542 021
Loss for the year		**(590 763 026)**	**(162 142 666)**

Detailed Income Statement

Figures in Rand	Note(s)	2019	2018
Other operating expenses			
Administration and management fees		(4 341 366)	(9 834 102)
Advertising		(419 763)	(2 692 967)
Auditors remuneration - external auditors	16	(5 506 260)	(4 932 255)
Auditors remuneration - internal audit	16	185 785	(222 002)
Bad debts		(1 003 264)	-
Bank charges		(4 570 083)	(2 817 112)
Commission paid		(8 092 825)	(106 177 996)
Consulting and professional fees		(1 292 069)	(16 180 241)
Consulting and professional fees - legal fees		(6 551 083)	(1 897 892)
Consumables		(15 718 542)	(44 188 158)
Depreciation		-	-
Donations		(41 273)	(2 000)
Employee costs		(489 969 506)	(531 138 740)
Entertainment		17 272	-
Navigation, landing and parking fees		(63 337 857)	(159 387 963)
Storage expenses		(2 550)	-
Baggage claims		(118 238)	(262 937)
Interrupted Flight Expenses		(8 755 122)	(9 366 095)
Cleaning, medical and funeral cost		(2 501 104)	(6 337 130)
Voyager Other Bonus Miles		(3 167 312)	(19 969 090)
Training bonds Amortization		(556 503)	(893 200)
Network and restoration charges		(39 123 135)	(123 295 099)
Discount Allowed		(106 197)	(689 135)
Ad hoc operating leases		(25 210 702)	(159 462 137)
Fines and penalties		(42 806 569)	(19 877 457)
Insurance		(17 213 281)	(17 929 689)
IT expenses		(7 477 990)	(8 195 949)
Lease rentals on operating lease		(294 965 446)	(350 652 907)
Motor vehicle expenses		(161 516 865)	(389 363 709)
Municipal expenses		(2 473 195)	(2 515 224)
Printing and stationery		(5 239 684)	(4 232 179)
Promotions		(33 434 939)	(75 597 823)
Repairs and maintenance		(55 255 851)	(164 928 716)
Royalties and license fees		(4 913 535)	(10 224 160)
Security		(2 229 134)	(3 619 504)
Subscriptions		(1 572 158)	(2 064 123)
Telephone and fax		(4 096 375)	(4 924 474)
Training		(12 078 922)	(22 026 948)
Transport and freight		(7 006 010)	(10 202 789)
Travel - local		(433 635)	(632 934)
		(1 332 895 286)	**(2 286 734 836)**