



GAAL

GATEWAY AIRPORTS AUTHORITY LIMITED

• GATEWAY TO THE REST OF AFRICA •

2021/2022 ANNUAL REPORT



TABLE OF CONTENTS

PART A: GENERAL INFORMATION

1. Public Entity General Information	7
2. List of Abbreviations	8
3. Foreword by MEC	9
4. Statement by the Board Chairperson	11
5. Overview by the Acting CEO	13
6. Statement of Responsibility and Confirmation of Accuracy	15
7. Strategic Overview	16
8. Legislative Mandates	16
9. Approved Organisational Structure	17

PART B: PERFORMANCE INFORMATION

1. Situational Analysis	19
2. Service Delivery Environment	21
3. Strategic Outcomes	22
4. Key Indicators and Achievements	23
5. Budget Estimates	25
6. Revenue Collection	25

PART C: GOVERNANCE

1. Corporate Governance	27
2. The Accounting Authority	27
3. Board Composition	27
4. Board Remuneration	29
5. Board Committees	29
6. Audit Committee	29
7. Fraud and Corruption	30
8. Risk Management	30
9. Conflict of Interest	31
10. Company Secretary	31

PART D: HUMAN RESOURCES

1. Overview	33
2. Human Resources Oversight Statistics	33
3. Levels	33
4. Employment and Vacancies	34
5. Employment changes	34

6. Labour Relations, misconduct and disciplinary action	34
7. Employment Equity	34

PART E: FINANCIAL INFORMATION

1. Report of the Auditor General	38
2. Audited Financial Statements	48

PART A:

GENERAL INFORMATION

1. PUBLIC ENTITY GENERAL INFORMATION

REGISTERED NAME:	Gateway Airports Authority (SOC) Limited
DIRECTORS:	Mr V Xaba Mr E Ramutanda Ms S Phayane Dr N Mashau Mr N Mangena (Shareholder's Representative) Ms Z Tshabalala (resigned in July 2021) Ms M Gololo (resigned in May 2021) Mr H Murovhi (resigned in May 2021)
REGISTRATION NUMBER:	1995/002792/06
PHYSICAL ADDRESS:	N1 North to Makhado Gateway Drive, Polokwane, 0700
TELEPHONE NUMBERS:	015 288 0122
WEBSITE ADDRESS:	www.gaal.co.za
EXTERNAL AUDITORS:	Auditor General of South Africa
BANKERS:	ABSA BANK LIMITED
ACTING CEO:	Ms M Matli
COMPANY SECRETARY:	Advocate S Ledwaba (resigned in August 2021) Mr P Khumalo (Acted from September 2021)

2. LIST OF ABBREVIATIONS

CEO:	Chief Executive Officer of GAAL
Civil Aviation Act:	Civil Aviation Act 13 of 2009
GAAL:	Gateway Airports Authority (SOC) Ltd, a Limpopo Provincial Entity as per Schedule 3 Part D of the PFMA; and registered as a company in terms of the Companies Act
LDTCS:	Limpopo Department of Transport and Community Safety
MEC:	Member of the Executive Council
MOI:	Memorandum of Incorporation of GAAL
PFMA:	Public Finance Management Act 1 of 1999, as amended from time to time
SACAA:	South African Civil Aviation Authority Act 40 of 98 (now the Civil Aviation Act)
SADC	Southern African Development Community

FOREWORD BY

THE MEMBER OF EXECUTIVE COUNCIL OF TRANSPORT AND COMMUNITY SAFETY



Honourable MEC Florence Radzilani

This 2021/22 annual report is tabled as the global economy is recuperating from a disruptive turbulence, caused by the advent of the occurrence of the Covid-19 pandemic. The pandemic has exacerbated an already volatile economic situation and has lurching the growth plans of the aviation and many other sectors, into disarray. Just like many other segments of the economy, the Gateway Airports Authority Limited was not spared the wrath of the monumental Covid-19 pandemic.

This Government has invested a lot into this entity, with the view of getting it to become a dominant player within the aviation space, and to help propel the provincial economy to unimaginable levels.

At optimal levels, GAAL must play a critical role, to grow this Province's economy, and catapult it into its rightful berth on the Continent. This should be done through social pacts, by lobbying other players within the sector, to make the entity an industry leader within the Continent.

Besmirched by an exodus of highly skilled personnel, the Entity's resilience has sustained it to an improved audit outlook. This was attained, with a persistent lack of adequate skills in critical compliance positions.


With a downgraded aerodrome operating license, the Entity has had its fair share of trials, and we shall be embarking on a rigorous programme, to implement a prolific 'turn-around' strategy.

We owe it to the people of Limpopo, that this source of national pride and identity, must be preserved, and work for them. The immediate goal is to provide a reliable, safer and profitable aviation service to our clientele, expand the network and amplify the entity's dominance in the sector.

We must all yearn for a GAAL that should become a catalyst for economic growth and development, in the Province. This we can achieve by placing the right expertise, at the right positions, as we chant forward with the process of filling vacancies at the level of the Board of Directors and Management. This will also require an ethical leadership that is underpinned by the principles of honesty, respect and integrity.

The few passenger airline services offered by the entity, must be augmented by the transportation of goods and services, to relieve the road network of more congestion.

With an enviable proximity to the SAdEC Region, the Entity should explore numerous innovative ways to enlarge its footprint on the continent.



HONOURABLE FLORENCE RADZILANI

MEMBER OF EXECUTIVE COUNCIL: TRANSPORT AND COMMUNITY SAFETY

STATEMENT BY

BOARD CHAIRPERSON



Board Chairperson: Mr V Xaba

It is an honour for me, on behalf of the Board of GAAL, to present the 2021/22 Annual Report to you. Part of our responsibility to the Shareholder is to ensure absolute accountability in the execution of our mandate to GAAL and to the people of the province of Limpopo.

The 2021/22 financial year, similar to other years post the Covid-19 pandemic era, saw the entity being stretched closer to its limits with regard to human capital sustainability at Board and Management level, operational continuity and financial sustainability. Being the first year of tenure for the Board, an alignment and resonance between the Shareholder, Board and interim Management team had to be forged in the quickest time in order to mitigate the impact of the challenges at hand.

Beyond the overarching impact of the Covid-19 on the aviation industry as a whole, the temporary downgrading of the Polokwane International Airport (PIA) operating license further decreased passenger movement to and from the airport. This anomaly had not only become cumbersome but also reduced the effectiveness with which Entity could execute the stately activities it had set itself out to achieve. This impediment drove the Board and Management team to work tirelessly and innovatively to get the operating licence to be grading to be reinstated and commercial scheduled flights to be restarted. The entity had to put measures in place to deal with the Airport's aviation safety compliance challenges as well as bringing stability and capacity in key management positions. The Board, management team and all stakeholders have shown fortitude and agility in addressing the hurdles that we faced

The Board remains committed to addressing the residual challenges that the Entity is still faced with. The Board, with the full support of the Shareholder, is leading the execution of a multi-phased Turnaround Strategy which is underpinned by ensuring operational continuity, financial sustainability and expanding the current operation model of GAAL. The filling of critical vacancies at Senior Management level and at safety compliance level has been the initiation of the Turnaround and will be followed by the increment of the frequency of scheduled and non-scheduled flights and the extension of routes to other airports within the country.

On behalf of the Board, I wish to welcome the Shareholder, MEC Ms Florence Radzilani to the Department of Transport and Community Safety. We have faith that your leadership, guidance and support will provide the assurance that we carry out our mandate as GAAL.

In conclusion, it is with appreciation that I note the contributions of Board Members and their respective committees, who have stepped up to the challenges that laid before them. Also, the commitment of our Management and employees cannot go unnoticed; the 2021/22 financial year has been a year of great learning and we believe that the years ahead will see us reaching greater heights and eventually making GAAL the employer of choice.



Mr V Xaba

Board Chairperson: GAAL

OVERVIEW BY

THE ACTING CHIEF EXECUTIVE OFFICER



Acting Chief Executive Officer: Ms M Matli

It is an honour for me, on behalf of GAAL Management and staff to present the 2021/22 Financial Year Annual Performance Report. This report covers a period that Gateway Airports Authority Limited (GAAL) was going through episodes of challenges caused by amongst others, the impact of Covid-19 pandemic, downgrade of the Airport License and leadership instability.

The impact of COVID-19 pandemic continued to be the most significant challenge we had to face throughout the reporting period as the aviation industry was one of the hardest hit by the pandemic, which triggered a complete collapse of the air travel industry throughout the country. Although we continue to see improvements in passenger and aircraft movements, the airport had not yet recovered to the pre-Covid operating and financial levels by the end of the financial year, March 2022.

The Entity went through a downgrade of the Aerodrome Licence of Polokwane International Airport by the SACAA, which resulted in the Airport not operating for over eight months. Over and above this, GAAL operated with limited capacity at management level and without a Board for the first quarter of the year. This era was a true test of the resilience of the employees of GAAL who ensure that the ship never sinks.

Through it all, the Airport was restored back to full operation and GAAL improved from Adverse and received a Qualified Audit Opinion. We maintained a strong relationship with our stakeholders and managed to retain most of our tenants and collect revenue from non-aeronautical activities.

Looking ahead, we still have a long road to recovery and we commit to continue to maintain safe and secure operations and to sustain the Airport licence at Category 7. Measures are being put in place to increase own revenue, reduce expenditure and to improve efficiency with the aim to get to a GAAL that is financially self-sustainable. Diversifying our aeronautical and non-aeronautical revenue streams, identifying potential opportunities of revenue generation and acquiring investments are high on the cards for the Entity to turn GAAL around.

In concluding, I would like to express my sincere gratitude to our staff for their hard work and the commitment they have shown during this difficult period. I further applaud the Executive and management team for steering the Entity through such difficult times with limited resources. To all our stakeholders, thank you for working and staying with us under such difficult conditions. I would also like to commend the Board of Directors for rolling up their sleeves and providing guidance to ensure that we deliver on our strategy during this difficult historic period. Finally, thank you to our Shareholder, MEC Florence Radzilani for the ongoing support and guidance in ensuring GAAL delivers on its mandate.

A handwritten signature in black ink, appearing to read 'M. Matli', written over a horizontal line.

Ms M Matli

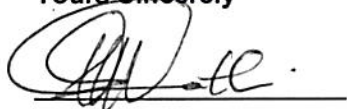
Acting Chief Executive Officer: GAAL

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor General.
- The Annual Report is complete, accurate and free from any omissions.
- The Annual Report has been prepared in accordance with the Guidelines on Annual Reporting issued by National Treasury.
- The Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Principles.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made therein.
- The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the Human Resources information and the Annual Financial Statements.
- The External Auditors were engaged to express an independent opinion on the Annual Financial Statements.
- In our opinion, the Annual Report fairly reflects the operations, the Performance Information, and the Human Resources information and the financial affairs of the Entity for the financial year ended 31 March 2022.

Yours Sincerely



Ms M Matli

Acting Chief Executive Officer

Date 2022/11/30



Ms Florence Radzilani

MEC: Department of Transport and Community Safety

Date 30-11-2022



Mr V Xaba

Board Chairperson: GAAL

Date: 2022/11/30

7. STRATEGIC OVERVIEW

Vision

To lead growth of the aviation industry in Limpopo.

Mission

- a) To operate and develop public airports within the province of Limpopo
- b) To create an intra-Limpopo flight operations network to feed PIA
- c) To develop PIA as the hub of SADC region and the North of South Africa
- d) In collaborate with our key stakeholders to stimulate economic and social development for the people of Limpopo.

Values

Passionate

Living our values and pursuing our goals, shared vision and commitment to our mission with passion

Integrity

Enabling trust and respect in all our actions by doing the right actions all the time and being accountable and ethical

Agility

Ability to move quickly, easily and accurately in compliance with aviation and other applicable legislations

Commitment

Appetite and thirst for new challenges, and caring for the business' success

Results

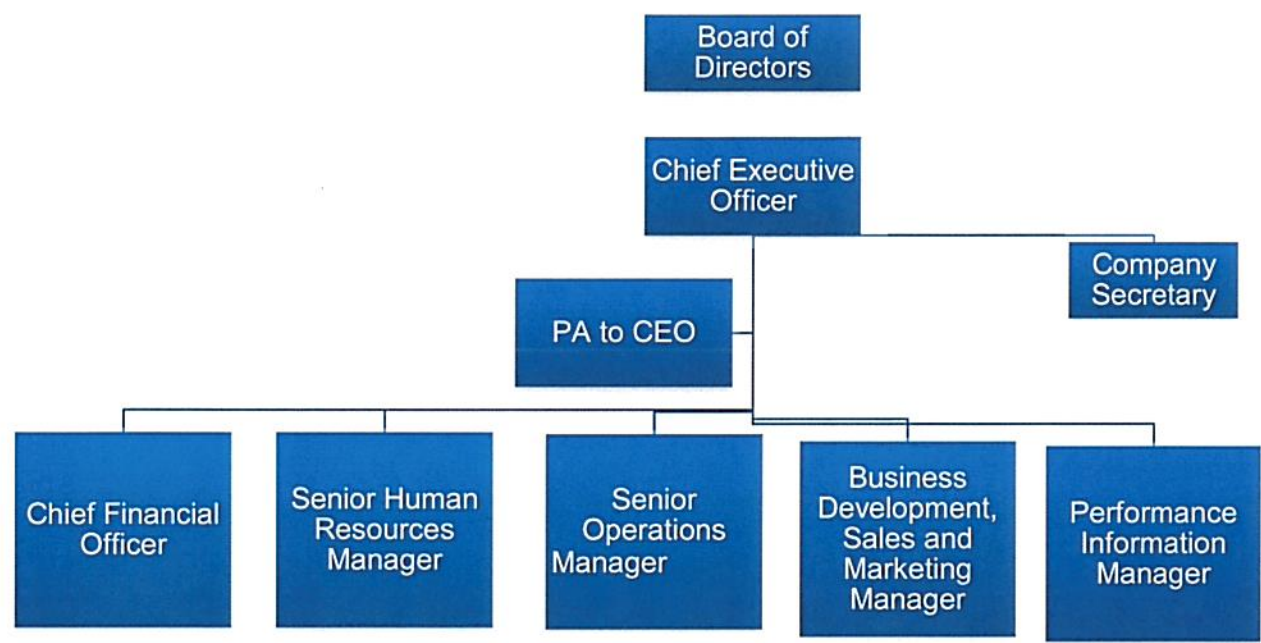
Providing innovative all-round service delivery to the stakeholders' needs and positive experience

8. LEGISLATIVE AND OTHER MANDATES

GAAL operates in a highly regulated industry. The main legislations governing the Airport include:

- Public Finance Management Act No. 1 of 1999, as amended by Act 29 of 1999 and Treasury Regulations
- Companies Act, 2008, as amended
- Civil Aviation Authority Act, Act No.38 as amended
- Labour Relations Act No. 66 of 1995, as amended
- Occupational Health and Safety Act, Act No.85 of 1993
- Preferential Procurement Policy Framework Act, Act No.5 of 2000
- Memorandum of Incorporation
- King iv
- Framework for Strategic performance plan and annual performance plan (Issued by National Treasury 2009)
- Framework for managing Performance Information (Issued by National Treasury 2009)

APPROVED ORGANISATIONAL STRUCTURE



PART B:

PERFORMANCE INFORMATION

1. SITUATIONAL ANALYSIS (PESTEL)

GAAL is a schedule 3D public Entity which receives a grant from the Department of Transport and Community Safety. GAAL was faced with various challenges in the 2021/22 financial year. The Entity was unable to collect maximum revenue in the 2021/22 financial year due to the downgrade of the Airport by the SACAA. Moreover, it was faced with leadership instability which in turn affected the filling of critical vacancies. The Entity has however, regained the Category 7 Operating Licence and has started operating again.

GAAL as an airport Management and Administrator, like most enterprises, function in an environment that is challenged by various external and internal factors. These factors are dynamic in nature and therefore require constant monitoring as they have a direct impact on how the organisation performs.

Political analysis

As a government entity, GAAL is subjected to the governance framework of both the provincial and national government. Therefore, the policy direction that the government takes will constantly have a direct impact on the direction GAAL takes.

Since its establishment in 1995, GAAL was registered as a private company even though it must function as a state entity. As a result, the mandate of GAAL over public airports in Limpopo remain inconclusive and as such, GAAL Strategic Plan will need to navigate through this in the implementation of its strategies.

Economic factors

Economic factors play an enormous role in influencing the aviation industry as the industry is not immune to economic pressures. The global economy as well as the performance of a country determine the level of success for industries and therefore influence the choices businesses make with regards to models and operations.

Recently, the economic performance of the country has been declining and has not met the envisaged growth level. To an extent, the country was declared to be under technical recession as it experienced the shrinking of our GDP. Along this, has been a fluctuation of the currency, coupled with rising price of fuel. These factors have a negative impact on airlines and further determine the effectiveness of how well GAAL will be able to attract airlines into the Polokwane International Airport (PIA). These factors will have an impact on the operating model that GAAL adopts.

Furthermore, the contrasting needs of the province and that of the country will continue to impact the decisions that the government makes on assets such as PIA and other public airports. The distribution of the limited fiscus must strike a balance between funding social programs and public enterprises. GAAL must be lustrous in finding strategies that will navigate this terrain. The expectation is for GAAL to be a self-sustainable entity that can operate efficiently without government assistance.

Social factors

The social challenges facing the province vary in many ways and conditions. Limpopo is one, amongst many provinces that must fight poverty through job creation. GAAL plays an important role in this regard and provides the unique opportunity for the development of aviation skills. The strategies employed need to leverage this. In leveraging this, it is equally essential that efforts focus on the positive energy brought about by the cultural diversity that exists in the province.

Technological factors

The world of technology has developed rapidly, with the era of digitization, defined as the 4th industrial revolution, taking over the preceding drive of information and communication technology.

Technology, on its own has been instrumental in improving communication, providing abilities such as teleconferencing, web-conferencing and video-conferencing, thus allowing people located in different parts of the world to interact actively, and to participate asynchronously. At the same wavelength, this may reduce the need for physical meeting with unintended result for our service.

These aspects must be considered on facility improvements and as a selling proposition for PIA to its Stakeholders. Technology can be leveraged in enabling this as well as in doing other form of business.

Environmental factors

Aircrafts, as do other forms of transport, contribute to polluting the environment. GAAL compliance framework must take this into account in the development of all its programs.

Businesses operating within the GAAL's precinct must be considered carefully in terms of green effect. Therefore, GAAL policies on acquiring businesses, must have environmental aspects as part of its consideration. Within our broad environmental parameters, Mining, Agriculture and Tourism are a Province pivotal part in linking our business activity with that of competitive edge.

Legal factors

The aviation industry is highly regulated. South Africa has an efficient regulator which is the SACAA, that makes the aviation business in SA to be globally competitive. If GAAL adheres to the SACAA standards, the airport has an ability to attract global airlines, and therefore expand its activities.

It must be noted though that such compliance comes at a cost, in terms of investment required. Therefore, GAAL must manage its financial affairs in a manner that is considerate to this effect, without compromising its drive to be self-sufficient.

The GAAL legislation is one of the crucial factors that is needed to effectively govern the affairs of all airports that GAAL is mandated to administer.

As an international airport, PIA will need to constantly review and refine its systems to ensure continuous compliance to customs requirements. Therefore, an internal capacity must be created to ensure effective monitoring of this aspect. Essentially, the compliance program for GAAL must be sufficiently comprehensive to deal with all regulatory measures.

GAAL is currently assigned with the responsibility to manage Polokwane International Airport, although the original intent was to manage the other public airports within the Province, amongst others being PR Mphephu (Thohoyandou) and Siyandani (Giyani).

PIA is currently funded through a combination of its own generated revenue and government grants. Despite the annual increase in the revenue generated, this increase has not been sufficient to cover the full business needs. Therefore, GAAL remains dependent on a government grant.

2. The Service Delivery Environment

The aeronautical side of the airport is not used to its full potential in that there is only one commercial airline operating at an airport that has two runways. Lack of maturity of the market has a negative impact on airline pricing as well as the attraction of a low-cost airline to operate from PIA. The tables below outline the aircraft and passenger movement over the past five years. Aircraft movement was badly affected by lockdown and later by the operating license downgrade.

Table 1: The history of aircrafts' movements is tabled below:

TYPE	2017/18	2018/19	2019/20	2020/21	2021/22
Domestic Schedule	2220	1784	1704	133	128
Domestic non-scheduled	2900	2366	2377	13	50
Regional non-scheduled	475	480	397	1	16
International non-scheduled	900	555	586	5	6
TOTAL	6495	5185	5064	133	200

Table 2: The history of passengers' movements:

TYPE	2017/18	2018/19	2019/20	2020/21	2021/22
Domestic Schedule	50 412	51577	49335	3325	2365
Domestic non-scheduled	4296	3683	4767	18	86
Regional non-scheduled	1294	1142	849	1	32
International non-scheduled	1380	1139	1020	126	12
TOTAL	57382	57541	55 971	3470	2495

3. STRATEGIC OUTCOME ORIENTED GOALS

3.1 ADMINISTRATION

The programme is responsible for the development and execution of the organization's strategy. The primary deliverable is the achievement of the organization's key performance targets aligned with good corporate governance

Outcome	Audited/Actual performance			Actual performance 2021/22	Medium-term targets		
	2018/19	2019/20	2020/21		2022/23	2023/24	2024/25
Safe Air Transport environment	Qualified	Qualified	Adverse	Qualified	Clean Audit	Clean Audit	Clean Audit

3.2 BUSINESS DEVELOPMENT

The programme is responsible for business development, marketing and stakeholder relationships.

Outcome	Audited/Actual performance			Actual performance 2021/22 R'000	Medium-term targets		
	2018/19	2019/20	2020/21		2022/23	2023/24	2024/25
A competitive Air base Transport infrastructure	-	-	-	R10 265	25% Increase in revenue	10% Increase in revenue	10% Increase in revenue

3.3 OPERATIONS

To focus on the operations and infrastructure management at PIA. The sub-programmes include both the Aeronautical and non Aeronautical Operations.

Outcome	Audited/Actual performance			Actual performance 2021/22	Medium-term targets		
	2018/19	2019/20	2020/21		2022/23	2023/24	2024/25
Continuous improvements in airport safety and security by complying with aviation regulatory frameworks							
Safe Air Transport environment	-	-	-	Safe, secured and environmentally friendly Airport services provided	Safe, secured and environmentally friendly Airport services provided	Safe, secured and environmentally friendly Airport services provided	Safe, secured and environmentally friendly Airport services provided

4 KEY INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

4.1 PROGRAMME 1: ADMINISTRATION

Performance Indicator	Planned Target	Actual Achievement	Variations from planned Target to Actual Achievement	
	2021/22 R'000	2021/22 R'000		Comment on Variations
Amount of revenue collected	R22 343	R10 265	R17 328	The Entity lost a major tenant and the reduction of aircraft movement
Number of ICT programmes implemented	4	2	2	Budget constraints
Number of training programmes implemented	12	3	9	Delays in the SCM process and moratorium

4.2 PROGRAMME 2: BUSINESS DEVELOPMENT

Performance Indicator	Planned Target	Actual Achievement	Variations from planned Target to Actual Achievement	
	2021/22	2021/22		Comment on Variations
Number of Marketing projects implemented	4	3	1	The downgrade of the Airport led to limited operations
Number of Stakeholder Engagements conducted	4	4	0	None
Marketing Strategy Reviewed	1	0	1	Turn Around Strategy to provide direction to the Marketing Strategy is outstanding

4.3 PROGRAMME 3: OPERATIONS

Performance Indicator	Planned Target	Actual Achievement	Variations from planned Target to Actual Achievement	
	2021/22	2021/22		Comment on Variations
Airport Licence Renewed	1	1	None	None
Maintenance plan developed	1	0	1	70% implemented however 30% incomplete due to the delays in the SCM process and moratorium

5.1 BUDGET ESTIMATES

BUDGET ELEMENTS	Baseline			Medium-term estimates		
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	R'000	R'000	R'000	R'000	R'000	R'000
REVENUE						
Income	31,474	10,676	8,136	11,455	11,684	13,974
- Aeronautical income	1,881	2,997	2,879	4,166	4,249	4,292
- Non-Aeronautical income	29,593	7,679	5,257	7,289	7,435	9,682
Deferred grant	20,909	-	431	-	-	-
Interest	1,829	2,085	2,129	438	1,876	2,088
Government Grant	56,432	61,864	62,610	67,331	50,498	37,874
TOTAL REVENUE	110,644	74,625	73,306	79,224	64,058	53,936
EXPENDITURE						
Current payments	83,995	72,961	59,206	81,748	86,617	90,948
Compensation of employees	38,950	35,779	30,981	38,401	38,401	40,321
Goods and services	45,045	37,182	28,225	43,347	48,216	50,627
Payment on capital assets	2,243	3,000	-	-	-	-
TOTAL EXPENDITURE	86,238	75,961	59,206	81,748	86,617	90,948

5.2 REVENUE COLLECTION

SOURCES OF REVENUE	2020/21			2021/22		
	BUDGET	ACTUAL AMOUNT COLLECTED	OVER/(UNDER) COLLECTION	BUDGET	ACTUAL AMOUNT COLLECTED	OVER/(UNDER) COLLECTION
Aeronautical	4 500	356	(4 144)	3 991	813	(3 178)
Non – Aeronautical	17 621	6 176	(11 445)	6 148	6 599	451
Total	22 121	6 535	(15 589)	10 139	7 412	(2 727)

PART C:

GOVERNANCE

1. CORPORATE GOVERNANCE

The Board of Directors, with the assistance of the Company Secretary is responsible for setting the right ethical tone conducive to corporate governance

2. THE ACCOUNTING AUTHORITY/ BOARD

The Board is accountable and responsible within the powers conferred upon the Board by the MOI, the Companies Act and the PFMA. The Board's main functions and responsibilities are:

- 2.1. Providing Strategic direction of the Company
- 2.2. Providing effective leadership based on ethical foundation
- 2.3. Approval of business plans
- 2.4. Setting performance criteria before commencement of the financial year
- 2.5. Evaluating actual performance against performance targets
- 2.6. Ensure preparation and approval of Annual Financial Statements
- 2.7. Develop clear levels of materiality
- 2.8. The review and management of risk
- 2.9. Appraisal of the performance of the Chairperson
- 2.10 Communication with the Shareholder
- 2.11 To act as the focal point for and custodian of the GAAL corporate governance
- 2.12 To ensure that GAAL complies with applicable laws, rules, codes and regulations
- 2.13 To ensure the effectiveness of GAAL's internal controls.
- 2.14 To consider business rescue proceedings or other turnaround mechanisms as soon as GAAL is financially distressed
- 2.15 To ensure effective IT governance

3. COMPOSITION OF THE BOARD

NAME	DESIGNATION	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIP	NO. OF MEETINGS ATTENDED
Mr V Xaba	Chairperson	April 2021	N. Diploma: Chemical Engineering Dip: Project Management Dip: Advanced Project Management B. Tech: Quality Statistical Process Control Finance – Non-Financial Managers	Aviation	GAAL	3
Ms S Phayane	Member	April 2021	BSc: Civil Engineering Masters: Engineering in Transport Studies	Transport	GAAL	3
Dr N Mashau	Member	April 2021	B. Com Economics B. Com (HONS) Economics	Finance	GAAL	2

NAME	DESIGNATION	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIP	NO. OF MEETINGS ATTENDED
			Advanced Senior Management Development Programme			
Mr E Ramutanda	Member	April 2021	Trade Certificate: Aircraft Mechanic Nat Tech Dip: Mechanical Eng Bachelor of Business Admin B. Com (HONS): Transport Economics	Aviation	GAAL	3
Mr Mangena	Member	April 2021	B Admin B Admin (HONS): Industrial Psychology	Human Resources	GAAL	3
The following Board Members resigned before the year ended						
Ms Z Tshabalala	Member	April 2021	B.COM Post Grad in Business admin Masters: Business Admin	Internal Audit, Risk and Compliance Management Corporate Governance Finance	GAAL	1
Ms M Gololo	Member	April 2021	B.COM: Accounting Intermediate Cert in Accounting Cert: Theory of Accounting B.COM (HONS) Chartered Accountancy (CA, SA)	Finance		1
Mr H Murovhi	Member	April 2021	B. Proc Degree Practical Legal Training Dop: Corporate Law Higher Dip: Tax Law ICSA (CIS) Programme in Compliance Management Masters: Public and Development Management LLB	Law		1

4. REMUNERATION OF THE BOARD

NAMES	REMUNERATION	OTHER ALLOWANCES	TOTAL
Mr V Xaba	37 315	196 977	234 292
Ms S Phayane	29 471	76 396	105 867
Dr N Mashau	0	0	0
Mr E Ramutanda	0	0	0
Mr H Murovhi	0	0	0
Mrs Z Tshabalala	0	28 281	28 281
Ms M Gololo	0	10 989	10 989
Mr NJJ Mangena	0	0	0

5. COMMITTEES OF THE BOARD

During the year under review, the Board established four committees:

Committee	No. of meetings held	No. of Members	Committee Members
Board Audit and Risk Committee	3	5	Ms M Gololo (Resigned in May 2021) Mrs Z Tshabalala (Resigned in July 2021) Dr N Mashau Mr H Murovhi (Resigned in May 2021) M S Phayane
Board Operations and Opportunities Committees	4	3	Mr E Ramutanda Dr N Mashau M S Phayane
Remuneration, HR and Social Ethics Committee	4	3	Mr E Ramutanda Mr NJJ Mangena M S Phayane
Nominations Committee	0	4	Mr V Xaba Mr E Ramutanda Dr N Mashau Mr NJJ Mangena

6. AUDIT COMMITTEE

The Audit Committee exercised an oversight and monitoring function, as required by its Terms and References. The Committee held its quarterly sittings for the purpose of considering all statutory submissions to the Shareholder and to the Limpopo Provincial Treasury.

6.1 AUDIT COMMITTEE MEMBERS AND ATTENDANCE

NAME	DESIGNATION	NO. OF MEETINGS ATTENDED	DATE APPOINTED
Ms M Gololo	Chairperson	0	April 2021
Ms Z Tshabalala	Member and Chairperson	3	April 2021
Dr N Mashau	Member	2	April 2021
Mr H Murovhi	Member	1	April 2021
M S Phayane	Member	1	April 2021

7. FRAUD AND CORRUPTION

GAAL makes use of the Premier's hotline telephone number which is a platform on which concerns relating to fraud and breaches of ethical codes can be reported. On a Quarterly basis, the Risk and Compliance unit liaises with the Department of Transport where complaints and concerns are referred to. In 2021/22 financial year, GAAL did not receive any complaints through that number.

8. RISK MANAGEMENT

In carrying out Enterprise Risk Management, GAAL is using the risk management policy and the risk management strategy, which were reviewed during the 2021/22 financial year. The approved risk management strategy was implemented to ensure that all risks are properly managed to improve the internal control and governance.

In the 2021/22 financial year, the Board was appointed in April and therefore had two Audit Committee meetings in the same year.

A total number of seven (07) risks were prioritized for 2021/22 financial year, one (01) risk was mitigated effectively by the risk owner, and this reduced the residual risk exposure.

The table below depicts the status of the prioritized risks as at 31 March 2022:

Risk No	Strategic objective	Risk	Mitigation	Status as at Year End
1	High performing and well governed organization	Inadequate marketing strategies	Develop a marketing strategy	The risk was not fully mitigated during the year due fact that the new Board still to review the turnaround strategy and a proposal to engage Limpopo Tourism Agency. The risk is migrated to the next financial year.
2.	High performing and well governed organization. Economic growth and development of Limpopo Airports	Financial mismanagement	Review the structure to mitigate the segregation of duties	The risk was not mitigated during the year due the entity is waiting for approval of proposed structure to include additional positions within the SCM unit. The risk is migrated to the next financial year and new mitigation measures added.
3	High performing and well governed organization	Business continuity interruption	Develop a business continuity plan	The risk was not fully mitigated during the year, the Draft BCP is awaiting further inputs from the executives. The risk is migrated to the next financial year.
4	High performing and well governed organization. Economic growth and development of Limpopo	Financial instability	Regular follow up on outstanding debts Strick adherence to	The risk was not fully mitigated during the course of the year however the spending is aligned to the cash flow forecast/budget Long outstanding debtors were forwarded to the debt collector for collection. <i>(Process to be monitored on a going</i>

Risk No	Strategic objective	Risk	Mitigation	Status as at Year End
	Airports.		procurement plan Implementation of revenue generating projects.	basis). The risk would be monitored in the future.
5	High performing and well governed organization	Leadership instability	Appointment of Board on a long-term basis Finalising of disciplinary process	The risk is mitigated during the financial year, after appointment of new Board of Directors and disciplinary cases finalised internal.
6	High performing and well governed organization	Non-compliance with Regulatory requirements	Strictly adherence to maintenance plan and urgent implementation of the SACAA recommendation.	The risk was not fully mitigated during the financial year even though the maintenance plan was developed during the year. The Entity was downgraded to low category at the beginning of the financial year. The license was restored to international category during October 2021. The risk will continuously be monitored during the next financial year.
7	High performing and well governed organization	Business interruption	Monthly back-up in the DOTCS server storage Procurement of new server	The Risk is not fully mitigated as the backing-up process was not done according. The Entity requested assistance from DOTCS ICT unit to manage the ICT environment at the Entity. The risk will continuously be monitored at operational level during the next financial year.

9. MINIMISING CONFLICT OF INTEREST

The Board of Directors complete the annual declaration of interest to disclose all their financial interests, disclose any conflicts, the nature and extent of actual or potential conflict of interest.

10. COMPANY SECRETARY

Advocate S Ledwaba was the appointed Company Secretary of GAAL, however resigned from the Entity in August 2021. Thereafter, Mr P Khumalo has acted in the position for the remaining period.

PART D:

HUMAN RESOURCES MANAGEMENT

1. OVERVIEW

The strategic purpose of the Human Resource Department is to partner with other divisions and provide support on matters relating to human capital, with the aim to maximise efficiency and embed the culture of high performance.

The focus of HR for the year under review was to attract and recruit skilled, capable workforce to fill critical vacant posts.

HR policies were reviewed in order to keep abreast with updates and changes in various legislations and new trends.

GAAL ensures that employees are engaged in wellness programmes every year through awareness campaigns, educational workshops, wellness events and employee assistance programmes.

Challenges

- Instability at leadership level.
- High staff turnover which resulted in loss of skills and institutional memory.
- Vacant critical and compliance positions.
- Understaffed Supply Chain Management Department, which creates challenges with segregation of duties.
- Due to budgetary constraints, skills development plans for employees were not achieved.

2. HUMAN RESOURCES OVERSIGHT STATISTICS

PROGRAMME	PERSONNEL EXPENDITURE	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Administration	13 743 002,40	32%	21	365 447.15
Business Development	2 078 979.59	9%	5	415 795.92
Operations	14 043 887.50	30%	41	342 533.84
EPWP (Contract)	885 774.22	29%	42	88 577,42
TOTAL	30 751 643,71	100%	109	1 212 354,32

3. LEVELS

LEVEL	PERSONNEL EXPENDITURE	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Senior Management	R6 806 574,53	3%	4	R680 657.45
Professionally Qualified	R4 518 626.36	19%	10	R451 862.64
Skilled	R3 175 752.41	13%	5	R635 150.48
Semi-Skilled	R15 197 522.37	35%	47	R323 351.54
Unskilled	R167 393.83	1%	1	R167 393.83
EPWP (Unskilled)	R885 774.22	29%	42	R88 577,42
TOTAL	R30 751 643,71	100%	109	R2 255 993,36

4. EMPLOYMENT AND VACANCIES

PROGRAMME	VACANCIES	APPOINTMENTS	TERMINATIONS
Administration	10	-	5
Business Development	1	-	1
Operations	9	-	2
Total	20	0	8

5. EMPLOYMENT CHANGES

Reasons for employees leaving:

REASON	NUMBER	PERCENTAGE
Resignation	3	37.5%
Retirement	3	37.5%
Dismissal	2	25%
Total	8	100%

6. LABOUR RELATIONS, MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal warning	0
Written Warning	1
Final Written Warning	0
Dismissal	1
Precautionary suspension	0
Punitive suspension	0
Number of pending disciplinary hearing	1
Total	3

7. EMPLOYMENT EQUITY

LEVEL	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
Professionally Qualified	11	0	0	0	11
Skilled	6	0	0	0	6
Semi-Skilled	48	0	0	1	48
Unskilled	1	0	0	0	1
Total	66	0	0	1	67

We Are Aviation



PART E:

FINANCIAL INFORMATION



Report of the auditor-general to Limpopo Provincial Legislature on Gateway Airport Authority SOC Limited

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Gateway Airports Authority SOC Limited set out on pages 38 to 47 which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Gateway Airports Authority SOC Limited as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP), the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (the Companies Act)

Basis for qualified opinion

Property plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding amounts for property, plant and equipment. As described in note 28, the restatement was made to rectify a previous year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the property, plant and equipment's corresponding figure stated at R200 070 840 in the financial statements.
4. I was unable to physically verify items of property, plant and equipment as the entity's accounting records did not facilitate easy identification and location of property, plant and equipment. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R191 694 555 (2021: R200 070 840) in note 4 to the financial statements.

Payables from exchange transactions

5. Payables from exchange transactions were materially misstated by R1 232 241 due to the cumulative effect of individually immaterial uncorrected misstatements:
 - Accrued leave pay stated at R793 640 was overstated by R427 173

- Deposits received stated at R281 054 was understated by R25 000

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm payables from exchange transactions by alternative means:

- Sundry payables of R192 499 as included in the disclosed balance of R17 880 292
- Trade payables of R639 510 as included in the disclosed balance of R12 248 570 (2021: R1 378 503).

Consequently, I was unable to determine whether any further adjustment was necessary to payables from exchange transactions.

Contingent liabilities

6. I was unable to obtain sufficient appropriate audit evidence that contingent liabilities for the current year was properly accounted for, due to the status of the accounting records. I was unable to confirm the contingent liabilities by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contingent liabilities stated at R23 119 875 (2021: R22 219 875) in the financial statements.

Context for the opinion

7. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
8. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
9. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

An uncertainty relating to the future outcome of litigation

11. With reference to note 26 to the financial statements, the entity is the defendant in various lawsuit amounting to R23 119 875 (2021: R22 219 875). The entity is opposing these claims as it believes that it has reasonable grounds to successfully defend the claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Other matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

13. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the board of directors for the financial statements

14. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP, the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
15. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

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

Report on the audit of the annual performance report

Introduction and scope

18. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

19. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
20. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the entity's annual performance report for the year ended 31 March 2022:

Programmes	Pages in the annual performance report
Programme 3 – Operations	x – x

21. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
22. The material findings on the usefulness and reliability of the performance information of the selected programmes are as follows:

Programme 3: Operations (maintenance plan developed)

Performance indicators were not well-defined and targets were not specific, measurable and time bound

23. The planned target of 1 for this indicator was not specific in clearly identifying the nature and required level of performance.

Reported performance indicator	Reported achievement per APR
Maintenance plan developed	1

Performance indicators were not verifiable

24. Adequate systems and processes were not established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions.

Reported performance indicator	Reported achievement per APR
Maintenance plan developed	1

Reported indicators are not consistent when compared to planned indicators

25. The reported performance indicators as per the annual performance report did not agree with the planned performance indicators as per the approved strategic plan. The planned indicator was maintenance plan implemented, but the reported achievement referred to was maintenance plan developed.

Planned performance indicator per APP	Reported performance indicator per APR
Maintenance plan implemented	Maintenance plan developed

No supporting evidence for the reported achievements.

26. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target. This was due to limitations on the scope of my work. was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 1 of maintenance plan developed.

Other matter

27. I draw attention to the matter below.

Achievement of planned targets

28. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year [and management's explanations provided for the [under/over achievement] of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 22 – 26 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

Annual financial statements, performance and annual report

31. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.
32. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.

Material misstatements of liabilities and expenditure identified by the auditors in the submitted financial statements were corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and/or supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Consequence management

33. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Expenditure management

34. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R755 376, as disclosed in note 31 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by no value for money, for services rendered..

Revenue management

35. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Other information

36. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the the audit committee's report and the company secretary's certificate as required the Companies Act. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
37. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
38. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge

obtained in the audit, or otherwise appears to be materially misstated.

39. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
40. The accounting authority did not adequately review the financial statements before submitting it for auditing as material misstatements were identified by the auditors in the submitted financial statements. The annual performance report was not supported by accurate and complete means of verification.
41. The entity developed a plan to address external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner.
42. Positions in senior management were vacant for more than 12 months.
43. Non-compliance with legislation could have been prevented if compliance was properly reviewed and monitored.
44. The internal audit unit did not function throughout the year.
45. The audit committee did not function for the whole financial year, therefore limited oversight monitoring was performed..

46. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
- Report on the assessment of procurement processes – October 2020. The report identified projects that were not yet completed to date and for which a conditional grant was awarded in the 2018/19 financial year. The report is included to support the balance of the unspent conditional grant liability disclosed in note 11, this balance was misclassified in the 2020/21 annual financial statements and subsequently corrected during the current year audit process.

Auditor-General

Polokwane

30 September 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied



Gateway Airports Authority SOC Limited (GAAL)
Financial statements
for the year ended 31 March 2022

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The company is engaged in the provision and maintenance of services and infrastructure of the Polokwane International Airport and operates principally South Africa.
Registered office	N1 North to Makhado Polokwane 0699
Bankers	ABSA Bank
Auditors	Auditor General of South Africa
Secretary	Advocate MS Ledwaba (Resigned July 2021) Percy Khumalo (Appointed October 2021)
Preparer	The financial statements were independently compiled by: Lande Consulting Inc Independent Consultant
Published	28 September 2022

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

	Page
Directors' Responsibilities and Approval	3
Director's Report	4
Company Secretary's Certification	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10
Accounting Policies	11 - 22
Notes to the Financial Statements	23 - 47

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Directors' Responsibilities and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The members have reviewed the entity's cash flow forecast for the year to 31 March 2023 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on page 7 to 47, which have been prepared on the going concern basis, were approved by the board on 28 September 2022 and were signed on its behalf by:



Xaba D.V.
Chairperson of the Board

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Director's Report

The members submit their report on the annual financial statements of Gateway Airports Authority SOC Limited for the year ended 31 March 2022.

1. Incorporation

The entity was incorporated on 01 March 1995 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The entity is engaged in the provision and maintenance of services and infrastructure of the Polokwane International Airport and operates principally in South Africa.

The Revenue for the company amounted to R81 147 066 (2021: restated R74 628 173), including non-exchange transactions revenue of R63 040 803 (2021: restated R61 863 883).

Net surplus for the entity amounted to R7 566 722 (2021: restated deficit R41 932 182).

Capital expenditure

During the current year, R5 083 929 (2021: R129 340) was spent on capital relating to purchase of property, plant and equipment by the entity.

3. Going concern

We draw attention to the fact that as at 31 March 2022, the entity had an accumulated surplus of 230,037,429 and that the entity's total assets exceed its liabilities by 230,037,441.

The directors believe that the company has adequate financial resources to continue in operations for the foreseeable future and accordingly the annual financial statements have been prepared on the basis of going concern. The Directors have satisfied themselves that the company is in sound financial position and that it has reviewed its strategic plan that will facilitate to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company. Refer to note 31 of the Annual Financial Statement for full disclosure.

4. Subsequent events

The members are not aware of any event(s) that arised since the end of the financial year per GRAP 14.

5. Taxation

The company is exempted for income tax in terms of Section 10(1) (cN) of the income Tax Act. .

6. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

7. Audit and Risk Committee

The entity did not have an Audit and Risk Committee at the end of the current financial year as all the members of the Audit and Risk Committee resigned in the first quarter of the current financial year. Consequently, there is no Audit and Risk Committee report included in the Annual Financial Statements.

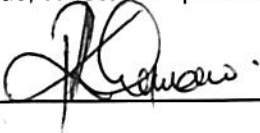
Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Company Secretary's Certification

Declaration by the Company Secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



**Percy Khumalo (Acting)
Company Secretary**

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Statement of Financial Position as at 31 March 2022

	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Operating lease asset	6	5,159,760	4,918,622
Receivables from exchange transactions	8	3,420,106	3,556,686
Cash and cash equivalents	9	10,869,500	5,817,463
		19,449,366	14,292,771
Non-Current Assets			
Investment property	3	43,888,000	36,046,635
Property, plant and equipment	4	191,694,555	200,070,840
Intangible assets	5	1,914,682	32,395
		237,497,237	236,149,870
Total Assets		256,946,603	250,442,641
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	17,880,292	19,189,860
VAT payable	13	3,145,924	3,118,052
Employee benefit obligation	7	4,456	4,456
Unspent conditional grants and receipts	11	5,072,083	5,503,200
Bank overdraft	9	568,202	-
		26,670,957	27,815,568
Non-Current Liabilities			
Employee benefit obligation	7	238,205	156,364
Total Liabilities		26,909,162	27,971,932
Net Assets		230,037,441	222,470,709
Share capital / contributed capital	10	12	12
Accumulated surplus		230,037,429	222,470,697
Total Net Assets		230,037,441	222,470,709

* See Note 28

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Statement of Financial Performance

	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services		2,879,164	2,997,329
Fees earned		6,526	-
Rental income		5,250,247	7,678,770
Finance income	16	2,128,960	2,085,180
Fair value adjustments		7,841,366	-
Actuarial gains		-	3,011
Total revenue from exchange transactions		18,106,263	12,764,290
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	17	62,609,686	61,863,883
Deferred Grant income		431,117	-
Total revenue from non-exchange transactions		63,040,803	61,863,883
Total revenue	14	81,147,066	74,628,173
Expenditure			
Employee related costs	18	(30,981,329)	(35,779,938)
Depreciation and amortisation		(11,404,866)	(11,185,652)
Impairments of assets	19	(99,434)	(1,514,162)
Finance costs	20	(755,376)	(344,303)
Lease rentals on operating lease	15	(181,746)	(906,423)
Debt Impairment	21	(2,748,048)	(17,035,854)
Contracted services		(5,828,813)	(4,053,893)
Profit/(Loss) on asset disposal		13,938	(3,784,389)
Fair value adjustments		-	(9,923,914)
Actuarial losses		(134,733)	-
Inventories losses/write-downs		-	(154,392)
General Expenses	22	(21,459,937)	(31,877,435)
Total expenditure		(73,580,344)	(116,560,355)
Surplus (deficit) for the year		7,566,722	(41,932,182)

* See Note 28

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Statement of Changes in Net Assets

	Share capital / contributed capital	Accumulated surplus	Total net assets
Opening balance as previously reported	12	236,467,141	236,467,153
Adjustments			
Correction of errors (note 28)	-	27,935,738	27,935,738
Balance at 01 April 2020 as restated*	12	264,402,879	264,402,891
Surplus for the year as previously reported	-	(39,137,866)	(39,137,866)
Correction of error (note 28)	-	(2,794,316)	(2,794,316)
Restated Surplus for the year	-	(41,932,182)	(41,932,182)
Total changes	-	(41,932,182)	(41,932,182)
Restated* Balance at 01 April 2021	12	222,470,707	222,470,719
Surplus for the year	-	7,566,722	7,566,722
Total changes	-	7,566,722	7,566,722
Balance at 31 March 2022	12	230,037,429	230,037,441
Note(s)	10		

* See Note 28

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Cash Flow Statement

	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		5,283,331	10,678,169
Grants		63,040,803	61,863,883
Interest income		2,128,960	124,945
		<u>70,453,094</u>	<u>72,666,997</u>
Payments			
Employee costs		(30,981,329)	(35,779,938)
Suppliers		(29,236,190)	(31,061,876)
Finance costs		(755,376)	(344,303)
		<u>(60,972,895)</u>	<u>(67,186,117)</u>
Net cash flows from operating activities	24	<u>9,480,199</u>	<u>5,480,880</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(2,924,246)	(129,340)
Proceeds from sale of property, plant and equipment	4	87,565	-
Purchase of other intangible assets	5	(2,159,683)	-
Net cash flows from investing activities		<u>(4,996,364)</u>	<u>(129,340)</u>
Net increase/(decrease) in cash and cash equivalents		4,483,835	5,351,540
Cash and cash equivalents at the beginning of the year		5,817,463	465,923
Cash and cash equivalents at the end of the year	9	<u>10,301,298</u>	<u>5,817,463</u>

* See Note 28

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	38,115,000	(28,000,000)	10,115,000	2,885,690	(7,229,310)	
Rental income	-	-	-	5,250,247	5,250,247	
Interest received - investment	462,000	-	462,000	2,128,960	1,666,960	
Total revenue from exchange transactions	38,577,000	(28,000,000)	10,577,000	10,264,897	(312,103)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	77,908,000	-	77,908,000	62,609,686	(15,298,314)	
Deferred Grant Income	-	-	-	431,117	431,117	
Total revenue from non-exchange transactions	77,908,000	-	77,908,000	63,040,803	(14,867,197)	
Total revenue	116,485,000	(28,000,000)	88,485,000	73,305,700	(15,179,300)	
Expenditure						
Personnel	(38,401,000)	-	(38,401,000)	(30,981,329)	7,419,671	
Finance costs	-	-	-	(755,376)	(755,376)	
Contracted Services	(24,568,241)	-	(24,568,241)	(5,828,813)	18,739,428	
General Expenses	(14,938,759)	-	(14,938,759)	(35,894,031)	(20,955,272)	
Total expenditure	(77,908,000)	-	(77,908,000)	(73,459,549)	4,448,451	
Operating deficit	38,577,000	(28,000,000)	10,577,000	(153,849)	(10,730,849)	
Gain on disposal of assets and liabilities	-	-	-	13,938	13,938	
Fair value adjustments	-	-	-	7,841,366	7,841,366	
Actuarial gains/losses	-	-	-	(134,733)	(134,733)	
	-	-	-	7,720,571	7,720,571	
Surplus before taxation	38,577,000	(28,000,000)	10,577,000	7,566,722	(3,010,278)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	38,577,000	(28,000,000)	10,577,000	7,566,722	(3,010,278)	

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

Note(s) 2022 2021

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Determining the appropriate reporting framework

The following criteria has been applied in choosing the appropriate basis

The entity shall apply IFRS Standards, when it meets one of the following criteria:

- The entity is a financial institution;
- The entity has ordinary shares or potential ordinary shares that are publicly traded on capital markets; or
- Its operations are such that they are:
 - (i) Commercial in nature; and
 - (ii) Only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government

Conclusion

The entity receives a significant portion of grants from government therefore the entity does not meet the above mentioned criteria, then GRAP standards was chosen by default as the appropriate basis of accounting.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of Standards of GRAP

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 entity for similar financial instruments.

Impairment testing

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows in the case of cash-generating assets. For non-cash generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is initially measured at cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight-line	5-50
Furniture and fixtures	Straight-line	5-30
Motor vehicles	Straight-line	5-25
Office equipment	Straight-line	5-30
IT equipment	Straight-line	5-30
Leasehold improvements	Straight-line	20-50
Infrastructure	Straight-line	20-50
Electric equipment	Straight-line	2-40
Baggage handling equipment	Straight-line	5-30
Leased infrastructure	Straight-line	3-50

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5-10

1.8 Financial instruments

Classification

The company classifies financial instrument, on initial recognition as a financial asset, a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.8 Financial instruments (continued)

Initial recognition and measurement

Financial assets and financial liabilities are recognized on the company's statement of financial performance when the entity becomes party to the contractual provision of the instrument.

Financial instruments are measured initially at fair value except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

The company does not off-set a financial asset and a financial liability unless a legally enforceable right to set off the recognized amounts currently exists; and the entity intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instruments.

Non - derivative financial instrument

For financial instruments not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Amortized cost

Amortized cost is the amount at which the financial instrument is measured at initial recognition minus principle repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or un-collectibility.

Measurement

Initial measurement

Financial instruments are initially measured at fair value, plus in the case of financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Where the effect of any extended payment terms is not material no adjustments are made. The fair value of financial instruments is normally the transaction price, but may be affected by other factors which the entity takes into account when measuring fair value.

Regular way purchases or sales are recognised using trade date accounting. All other financial instruments are recognised when the entity becomes a party to the contract.

Additional text

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.8 Financial instruments (continued)

Financial Assets

Financial assets are classified into the following categories:

- i. Loans and receivables
- ii. Financial assets at fair value through profit or loss- (designated and held for trading)
- iii. Financial assets held to maturity.
- iv. Available for sale financial assets.
- v. Cash.

Financial assets for which a reliable fair value cannot practically be determined are carried at cost.

Trade and other receivables

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method less any impairment loss. Interest income is recognised in the income statement by applying the effective interest rate.

The carrying amount of the asset is reduced through the use of an provision 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 provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss

Trade and other receivables are classified as loans and receivables.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Cash and Cash Equivalents:

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date. Cash and cash equivalents includes cash on hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash on hand net of bank overdrafts, all of which are available for use by the Board unless otherwise stated. The cash flow statement is prepared on the basis of the direct method.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.9 Leases

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Employee benefits

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.12 Provisions and contingencies

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.13 Commitments

Disclosures are required in respect of unrecognised contractual commitments.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.13 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. .

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.17 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance..

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Accounting Policies

1.20 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government..

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.21 Events after reporting date

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022

2021

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised 2021): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• Improvements to the standards of GRAP 2021	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Gateway Airports Authority SOC Limited (GAAL)
Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

3. Investment property

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
			Accumulated depreciation and accumulated impairment	Carrying value
Investment property	43,888,000	-	43,888,000	36,046,635
			-	36,046,635

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

3. Investment property (continued)

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	36,046,635	7,841,365	43,888,000

Reconciliation of investment property - 2021

	Opening balance	Transfers received	Transfers	Fair value adjustments	Total
Investment property	47,100,000	154,414	(1,283,865)	(9,923,914)	36,046,635

Investment property

The entity does not own land on which the Airport is situated, the land belongs to and is registered in the name of the National Department of Public Works. The entity has the right to use the land on which the Airport is situated for as long as the entity renders aeronautical services. The entity is responsible for all the infrastructure developments and improvements made on the land. The investment property relates to properties located within Polokwane International Airport. The valuation was based on open market value for existing use.

Investment properties comprise a number of properties leased to third parties for commercial use. The subsequent lease renewals are negotiated with the lessee and approved by the appropriate level of management before accounting for extensions.

The fair value of investment properties is determined based on the most appropriate methodology applicable to the specific property. The methodology used in valuing the entity's investment properties is the income capitalisation methodology. In estimating the fair value of the properties, the highest and best use of the properties is taken into account. The significant inputs used in determining the fair value of the investment properties are the likely annual rentals that the property could achieve, the risk adjusted vacancy rate and normalised property expenses. To get to the fair value, the significant inputs were discounted by 12.5% capitalisation rate.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022

2021

3. Investment property (continued)

Details of valuation

The assessment of Investment property value was done externally on 24th May 2022.

These assumptions are based on current market conditions for existing use.

The valuation is based on information received and market related rates were utilised for the purpose of this valuation report.

The investment property is valued after three years unless there's significant changes in the market. The last valuation was performed internally at the end of March 2021.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Building	124,729,406	(56,363,916)	68,365,490	124,068,796	(52,393,906)	71,674,890
Plant and machinery	3,655,471	(2,982,769)	672,702	3,593,709	(2,819,022)	774,687
Furniture and fixtures	3,581,677	(3,355,933)	225,744	4,503,342	(4,152,941)	350,401
Motor vehicles	15,011,538	(13,462,459)	1,549,079	14,256,238	(13,172,029)	1,084,209
Office equipment	2,137,898	(1,255,013)	882,885	2,388,860	(1,174,497)	1,214,363
IT equipment	2,928,016	(1,438,226)	1,489,790	3,926,037	(2,143,400)	1,782,637
Infrastructure	8,630,363	(5,354,487)	3,275,876	8,216,335	(5,116,833)	3,099,502
Electric Equipment	16,289,508	(13,881,469)	2,408,039	16,297,508	(13,362,200)	2,935,308
Baggage handling equipment	2,648,741	(2,644,560)	4,181	2,748,968	(2,743,827)	5,141
Roads	179,933,965	(67,113,196)	112,820,769	179,390,777	(62,241,075)	117,149,702
Total	359,546,583	(167,852,028)	191,694,555	359,390,570	(159,319,730)	200,070,840

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Building	71,674,890	848,260	-	(4,058,226)	(99,434)	68,365,490
Plant and machinery	774,687	132,162	(932)	(233,215)	-	672,702
Furniture and fixtures	350,401	-	(8,393)	(116,264)	-	225,744
Motor vehicles	1,084,209	969,520	(48,542)	(456,108)	-	1,549,079
Office equipment	1,214,363	-	(5,631)	(325,847)	-	882,885
IT equipment	1,782,637	-	(9,215)	(283,632)	-	1,489,790
Air Traffic Equipment and runway	3,099,502	431,117	-	(254,743)	-	3,275,876
Electric Equipment	2,935,308	-	(247)	(527,022)	-	2,408,039
Baggage handling equipment	5,141	-	(666)	(294)	-	4,181
Roads	117,149,702	543,187	-	(4,872,120)	-	112,820,769
	200,070,840	2,924,246	(73,626)	(11,127,471)	(99,434)	191,694,555

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers In	Disposals	Transfers Out	Derecognition of WIP	Depreciation	Impairment loss	Impairment reversal	Total
Building	81,931,146	-	1,286,877	(664,231)	(237,944)	(6,409,890)	(3,762,752)	(2,297,071)	1,828,755	71,674,890
Plant and machinery	1,074,426	-	-	204,598	-	-	(276,672)	(227,665)	-	774,687
Furniture and fixtures	1,238,716	-	-	(751,112)	-	-	(137,203)	-	-	350,401
Motor vehicles	1,934,990	-	-	(40,891)	-	-	(797,840)	(12,050)	-	1,084,209
Office equipment	727,997	-	-	716,571	-	-	(230,205)	-	-	1,214,363
IT equipment	2,638,626	129,341	-	(831,923)	-	-	(145,802)	(7,605)	-	1,782,637
Infrastructure	3,355,875	-	-	(3,419)	-	-	(252,954)	-	-	3,099,502
Electrical Equipment	6,218,513	-	-	(1,725,510)	-	-	(684,877)	(872,818)	-	2,935,308
Other property, plant and equipment	69,272	-	-	(58,041)	-	-	(5,572)	(518)	-	5,141
Roads	122,565,285	-	-	(546,902)	-	-	(4,868,681)	-	-	117,149,702
	221,754,846	129,341	1,286,877	(3,700,860)	(237,944)	(6,409,890)	(11,162,558)	(3,417,727)	1,828,755	200,070,840

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022 2021

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Opening balance	Impairment	Total
Opening balance	1,889,241	-	1,889,241
Other movements	-	(99,434)	(99,434)
	1,889,241	(99,434)	1,789,807

Reconciliation of Work-in-Progress 2021

	Opening balance	De-recognition	Impairment	Total
Opening balance	10,104,696	-	-	10,104,696
Other movements	-	(658,315)	(99,434)	(757,749)
Transferred to completed items	-	(7,457,706)	-	(7,457,706)
	10,104,696	(8,116,021)	(99,434)	1,889,241

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses	2,926,522	1,552,308
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Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022 2021

5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,898,413	(983,731)	1,914,682	738,730	(706,335)	32,395

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	32,395	2,159,683	(277,396)	1,914,682

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Impairment loss	Total
Computer software, other	64,206	(23,091)	(8,720)	32,395

6. Operating lease asset

Operating lease asset - lessor	5,159,760	4,918,622
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GAAL leases its office space and hangers to tenants. The lease arrangement is operating lease as defined by GRAP 13. The future minimum lease payments are disclosed below:

Within 1 year	8,127,503	5,450,846
Between 2 - 5 years	12,047,853	19,505,212
Over 5 years	701,914	1,372,058
	20,877,270	26,328,116

7. Employee benefit obligations

Defined benefit plan

The defined benefit plan, to which 9% (2021: 9%) belong, consists of the Long service awards payable to employees upon completion of certain intervals. There is no fund for the plan as it is paid from a budget yearly.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening balance	(160,820)	(160,820)
Current service costs	(24,050)	(23,841)
Interest costs	(11,058)	(13,828)
Actuarial loss	(134,733)	(17,320)
Actual benefits paid	88,000	58,000
	(242,661)	(157,809)
 Non-current liabilities	 (238,205)	 (156,364)
Current liabilities	(4,456)	(4,456)
	(242,661)	(160,820)

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022 2021

7. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	134,733	17,320
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.01 %	8.90 %
Proportion of employees opting for early retirement	90.22 %	100.00 %

8. Receivables from exchange transactions

Trade debtors	35,484,174	32,872,706
Employee costs in advance	294,817	294,817
Provision for doubtful debts	(32,358,885)	(29,610,837)
	3,420,106	3,556,686

Net receivables

	2022	2021
Gross Receivables	35,630,273	32,601,294
Employee Debtors	294,817	294,817
Less Provision	(32,358,885)	(29,610,837)
	3,566,205	3,285,274
Current (0 -30 Days)	1,109,919	1,715,214
31 to 60 Days	705,254	812,041
61 to 90 Days	535,256	463,962
91 to 120 days	776,311	294,057
120 to 180 Days	439,465	-
	3,566,205	3,285,274

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,253	1,529
Bank balances	10,809,806	5,738,688
Short-term deposits	58,441	56,550
Other cash and cash equivalents	-	20,696
Bank overdraft	(568,202)	-
	10,301,298	5,817,463

Current assets	10,869,500	5,817,463
Current liabilities	(568,202)	-
	10,301,298	5,817,463

10. Share capital / contributed capital

Issued		
Ordinary	12	12

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022	2021
11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Grant- DoT Conditional Grant	5,072,083	5,503,200
The conditional grant relates to money received from Provincial Treasury for special projects.		
12. Payables from exchange transactions		
Trade payables	12,248,570	14,641,864
Sundry payables	192,499	190,558
Salary control	428,158	231,686
Accrued leave pay	793,640	1,143,759
Accrued bonus	464,825	582,281
Accrual of payables	3,234,941	1,335,560
Operating lease payables	91,554	28,048
Deposits received	281,054	975,879
Retention fees payable	145,051	60,225
	17,880,292	19,189,860
13. VAT payable		
VAT	3,145,924	3,118,052
14. Revenue		
Rendering of services	2,879,164	2,997,329
Fees earned	6,526	-
Rental income	5,250,247	7,678,770
Interest received - investment	2,128,960	2,085,180
Government grants & subsidies	62,609,686	61,863,883
Deferred Grant income	431,117	-
	73,305,700	74,625,162
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	2,879,164	2,997,329
Fees earned	6,526	-
Rental income	5,250,247	7,678,770
Interest received - investment	2,128,960	2,085,180
	10,264,897	12,761,279
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	62,609,686	61,863,883
Deferred Grant income	431,117	-
	63,040,803	61,863,883
15. Lease rentals on operating lease		
Lease rentals on operating lease		
Contractual amounts	181,746	906,423

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022	2021
16. Investment revenue		
Interest revenue		
Bank	186,882	124,945
Interest charged on trade and other receivables	1,942,078	1,960,235
	2,128,960	2,085,180
17. Government grants and subsidies		
Operating grants		
Equitable share	62,609,686	61,863,883
18. Employee related costs		
Basic	20,511,932	25,188,623
Medical aid - company contributions	3,026,012	3,007,087
UIF	133,208	129,986
WCA	501	-
SDL	254,470	193,445
Leave pay provision charge	(178,787)	299,494
Defined contribution plans	2,669,460	3,320,034
Overtime payments	1,959,770	184,877
Long-service awards	35,108	58,000
13th Cheques	1,277,958	1,424,564
Acting allowances	404,504	1,072,326
Housing benefits and allowances	798,255	857,790
Night allowance	78,438	43,712
Long-term benefits - incentive scheme	10,500	-
	30,981,329	35,779,938
19. Impairment of assets		
Impairments		
Property, plant and equipment	99,434	1,504,924
Intangible assets	-	9,238
	99,434	1,514,162
20. Finance costs		
Trade and other payables	152,614	-
Bank	-	344,303
SARS - Late payment of tax	600,821	-
	753,435	344,303
21. Debt impairment		
Contributions to debt impairment provision	2,748,048	17,035,854

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022	2021
22. General expenses		
Advertising	80,972	623,591
Auditors remuneration	2,173,552	3,638,076
Bank charges	54,118	60,352
Cleaning	1,251,539	1,215,336
Commission paid	207,074	-
Consulting and professional fees	1,195,542	5,980,067
Entertainment	85,532	64,101
Fines and penalties	106,280	635,717
Insurance	768,884	925,487
IT expenses	768,778	1,931,817
Medical expenses	37,673	-
Pest control	-	984
Fuel and oil	567,569	246,470
Placement fees	61,194	-
Postage and courier	321	-
Printing and stationery	302,637	48,771
Project maintenance costs	-	5,835,104
Repairs and maintenance	5,399,235	3,028,202
Royalties and license fees	88,266	102,786
Security (Guarding of property)	3,461,309	4,236,409
Software expenses	39,145	-
Staff welfare	2,096	593,525
Subscriptions and membership fees	30,842	19,696
Telephone and fax	1,020,586	617,816
Training	181,115	405,242
Travel - local	211,070	189,917
Electricity	1,752,441	1,476,513
CCMA settlement	1,550,689	-
Other expenses	61,478	1,456
	21,459,937	31,877,435
23. Auditors' remuneration		
Fees	2,173,552	3,638,076
24. Cash generated from operations		
(Deficit)/Surplus	7,566,722	(41,932,182)
Adjustments for:		
Depreciation and amortisation	11,404,866	11,185,652
(Profit)/Loss on asset disposal	(13,938)	3,784,389
Fair value adjustments	(7,841,366)	9,923,914
Interest income	-	1,960,235
Impairment loss	99,434	1,514,162
Debt impairment	2,748,048	17,035,854
Movements in operating lease assets and accruals	(241,138)	(2,963,069)
Movements in retirement benefit assets and liabilities	81,841	(3,011)
Movements in provisions	-	(364,000)
Loss on WIP	-	5,835,104
Changes in working capital:		
Inventories	-	97,062
Receivables from exchange transactions	136,582	14,464,938
Debt impairment added back	(2,748,048)	(20,903,231)
Prepayments	-	403,258
Payables from exchange transactions	(1,309,559)	3,134,891
VAT	27,872	2,306,914
Unspent conditional grants and receipts	(431,117)	-
	9,480,199	5,480,880

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022 2021

25. Commitments

Operational Commitments

Already contracted for but not provided for

• Long term	19,759,455	1,651,710
• Short term	12,316,587	2,999,331
	<u>32,076,042</u>	<u>4,651,041</u>

Commitments relates to outstanding orders issued to suppliers for services not rendered as at year end and also commitment relating long term and short term contracts with service providers of which as at year end the contracts were still active. There were no capital commitments for the period under review.

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee

Minimum lease payments due

- within one year	424,581	1,174,376
- between 2 - 5 years	45,544	477,337
	<u>470,125</u>	<u>1,651,713</u>

GAAL leases its printing machines and x-ray machines on an average period of 1 to 5 years. No contingent rent is payable.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022 2021

26. Contingencies

2022 2021

Contingent liabilities

Employee alleges unfair dismissal	-	300,000
Claims on disputed invoices	1,150,875	1,150,875
Dispute relating to fuel tender	300,000	300,000
Unfair dismissal of the Acting CEO	319,000	319,000
Unfair dismissal of a Board Member	11,500,000	10,300,000
The entity is sued for undue enrichment	4,200,000	4,200,000
Labour dispute regarding unfair dismissal	200,000	200,000
Civil claim against GAAL for services rendered	5,100,000	5,100,000
Interdict for tender appointment of fuel service provider	350,000	350,000
	23,119,875	22,219,875

Disclosure of contingencies in terms of GRAP 19 paragraph 98-111

Entity is sued for undue enrichment

GAAL sued for undue enrichment. The former advertising service provider suing GAAL for undue enrichment as a result of advertising right for an amount of R4 200 000. GAAL defending the civil action. On 2020/07/27, the matter was removed from the roll.

Interdict for tender appointment of fuel service provider

Revenue generation project. The former supplier of aviation fuel service provider interdicted the appointment of the new service provider, alleging that supply chain processes were not followed. GAAL is defending the matter in the High Court. Latest 12/02/2019 Coram/ Kganyago J the matter struck off the roll, due to lack of emergency with costs.

Civil claim against GAAL for services rendered

The former facilities management service provider suing GAAL for an amount of R5 100 000 for breach of contract after termination of the contract on the basis of irregularity in appointing the service provider. GAAL is defending the case in the High Court for viva voce evidence.

Labour dispute regarding unfair dismissal

- Former Board member suing Gaal for loss of income and other incidental claims for an amount of R11 506 605. The case is still pending in the High Court. Application to dismiss the case to be instituted due to inaction on the part of the plaintiff. On the 01/03/2018, Notice of withdrawal as attorney of records was registered (Maree vd Berg Attorneys).
- Labour court review application by the former employee. GAAL won the case of dismissal at CCMA against former employee. The employee referred the matter to the Labour Court. Review case still pending. Applicant untraceable and application to dismiss to be embarked upon.
- Employee's dismissal confirmed by the CCMA. He filed a review application in the Labour Court and Gaal is defending the case. GAAL won the case of dismissal at CCMA against former employee. The employee referred the matter to the Labour Court. Review case still pending. Applicant untraceable and application to dismiss to be embarked upon.
- The former employee is refusing to go on pension, and once his services were terminated, he took the matter to the labour court. The employee passed on in January 2021. The matter is not on the roll.

GAAL received a favourable ruling in CCMA against the former employee and the employee referred the matter to labour court for appeal. The matter was closed the employee at CCMA. The employee retired before the internal process completed. The employer does not have due restriction to the employee. The employer took the matter to the Labour Court

Claims on prepayment of invoices

Summons issued against GAAL for the outstanding payment. GAAL is defending the matter because the tender is one of the irregular tenders as per Provincial Treasury Report. The Board resolved that all outstanding payments for tenders implicated in the report must be stopped. NOTICE OF WITHDRAWAL IN TERMS OF RULE 41 (1) (A) 28 AND RULE 30 - IRREGULAR STEP. November 2020. The plaintiff's withdrawn its action against the defendant under the above case.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022 2021

26. Contingencies (continued)

Civil case against former CEO

GAAL and the Department of Transport have instituted civil claim against the former CEO to recover R2 700 000 for fruitless and wasteful expenditure. The matter is being handled by the state attorney. The matter was removed from the roll.

Fraudulent cyber investigators payment

Contingent assets

2022 2021

Civil claim against the former CEO	2,700,000	2,700,000
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Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022

2021

27. Related parties

Relationships

Parent Department

Key Management

Limpopo Department of Transport

Refer to note

Related party transactions

Limpopo Department of Transport

Key management

67,331,000

65,777,000

1,049,533

4,517,090

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

27. Related parties (continued)

Remuneration of management

Key management emoluments

2022

Name	Basic salary	Other benefits received	Total
Moloto NP (Acting Chief Executive Officer) (from July 2021)	-	76,775	76,775
Matli M (Senior Human Resource Manager) (from March 2022)	78,084	16,064	94,148
Khumalo LP (Acting Company Secretary) (from October 2021)	-	248,459	248,459
MS Ledwaba (Company Secretary) (Resigned August 2021)	515,144	115,007	630,151
	593,228	456,305	1,049,533

2021

Name	Basic salary	Other benefits	Total
M Baloyi (Chief Executive Officer) (Dismissed)	806,357	713,556	1,519,913
NM Mankga (Acting Senior Human Resource Manager) (October 2020 - March 2021)	-	243,519	243,519
MS Ledwaba (Company Secretary)	610,802	419,468	1,030,270
Ramatlhakwe CK (Acting Senior Human Resource Manager) (Apr - August 2020)	-	271,760	271,760
Maluleke LN (Acting Chief Financial Officer) (April - August 2020)	-	154,879	154,879
NW Mathonsi (Senior Operation Manager) (Suspended January 2020)	584,357	419,468	1,003,825
N Netshifhefhe (Acting Senior Operations Manager) (April 2020 - February 2021)	-	292,924	292,924
	2,001,516	2,515,574	4,517,090

28. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022

2021

28. Prior-year adjustments (continued)

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		3,533,437	23,249	3,556,686
Property, plant and equipment	4	177,387,183	22,683,657	200,070,840
Investment Property		36,900,000	(853,365)	36,046,635
Inventories		78,792	(78,792)	-
Prepayments		921,354	(921,354)	-
Payables from exchange transactions		(32,100,061)	12,910,201	(19,189,860)
VAT payable		364,922	(3,482,974)	(3,118,052)
Provisions		(364,000)	364,000	-
Unspent conditional grant		-	(5,503,200)	(5,503,200)
Accumulated Surplus (31 March 2020)		(236,467,141)	(27,935,738)	(264,402,879)
		(49,745,514)	(2,794,316)	(52,539,830)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Depreciation and Amortisation		13,313,413	(2,127,761)	11,185,652
Impairments		3,459,362	(1,945,200)	1,514,162
Rendering of services		(2,999,399)	2,070	(2,997,329)
Interest received		(141,554)	(1,943,626)	(2,085,180)
Fair Value Loss/(Gain)		10,203,011	(279,097)	9,923,914
Loss on asset disposal		-	3,784,389	3,784,389
Government grants & subsidies		(65,777,000)	3,913,117	(61,863,883)
Employee related costs		35,776,438	3,500	35,779,938
Inventory losses/write downs		18,270	136,122	154,392
General expenses		30,626,633	1,250,802	31,877,435
Surplus for the year		24,479,174	2,794,316	27,273,490

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022

2021

28. Prior-year adjustments (continued)

Errors

Property, plant and equipment

In the prior year the entity incorrectly classified completed project of CCTV cameras to the value of R1,662,601.79 as WIP. This has now been transferred to IT equipment and depreciation recognised thereof.

On 30th September 2020, Executives took a resolution to relocate staff from administrative offices to partly occupy other offices that were being utilised for rental purposes as Investment Property. The previously owner occupied administrative offices will be kept for the intention of enhancing revenue. The transfers between Investment property and Property, plant & equipment were not accounted for in the prior financial year. This resulted in the total value of property, plant and equipment at year end being understated due to unaccounted for transfers from Investment Property to owner occupied and from Owner occupied to Investment property. The resultant effect of the understated property, plant and equipment value has been corrected.

Investment property

The transfers between Investment property and Property, plant & equipment mentioned above were not accounted for in the prior financial year. This resulted in the total value of investment property at year end being overstated due to unaccounted for transfers from Investment Property to owner occupied and from Owner occupied to Investment property. The resultant effect of R853,365 of the overstated Investment property value has been corrected.

Receivables from exchange transactions

Receivables from exchange transactions of R23 249 in the prior year has now been recognised, thereby increasing current assets.

Inventory

Jet A1 and AVGAS fuel held was supposed to be written-off in the prior financial year ended 31 March 2021 as per the correspondence from the Service Provider (Pula Nala Petroleum). This has now been corrected.

Provisions and Prepayments

Journals are processed to reverse the Provision, Prepayments (Previously raised) and recognize the settlement to make the provision and prepayment (Unpaid cheque) to be Nil for the current financial year. This has now been corrected.

Payables from exchange transactions

Realisation of prior period 31 March 2020 accruals not realised in prior years. Prior year 31 March 2021 accruals not recognised in the prior year. This has now been corrected.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022

2021

28. Prior-year adjustments (continued)

Accumulated Surplus

Reversal of incorrect journals passed on supplier control account relating to water and electricity incurred during the financial year ended 31 March 2020.

Depreciation and Amortisation

Depreciation of R324,250 on the above transfer from WIP to Property, plant and equipment recognised.

In the current year, motor vehicle was written off in an accident and proceeds from the Insurance company was received. However, prior year depreciation on the motor vehicle was overstated by R39,305 due to residual value not taken into account in the calculation of depreciation. This has been taken into account at date of disposal.

The transfers between Investment property and Property, plant & equipment were not accounted for in the prior financial year. This resulted in depreciation charge being understated due to unaccounted for transfers from Investment Property to owner occupied and from Owner occupied to Investment property.

Impairment

In the prior year, fire simulation slab was dismantled as it had to be relocated. The slab together with the fire simulator was impaired as the fire simulator was not in use until construction of a new slab at the intended location. The impaired amount for the fire simulator only of R1,828,755 has now been reversed as the asset will continue being in use.

Interest received

Prior year interest on overdue receivables accounts of R1,943,626 has now been recognised.

Fair Value Loss/Gain

On 30th September 2020, Executives took a resolution to relocate staff from administrative offices to partly occupy other offices that were being utilised for rental purposes as Investment Property. The transfers between Investment Property and Property, plant and equipment were not accounted for in the prior financial year. This resulted in the total fair value loss recognised being overstated due to unaccounted for transfers from Investment Property to owner occupied. The resultant effect of the overstated fair value loss has been corrected.

Government grants & subsidies

The output tax was supposed to be accounted for and paid over to SARS on the grant revenue as per. INTERPRETATION NOTE 39 (Issue 3) from SARS.

General expenses

Reversal of incorrect journals passed on supplier control account relating to water and electricity.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022

2021

29. Risk management

Financial risk management

Liquidity risk

The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 31 March 2022

	Carrying amount	Total contractual cashflows	less than 1 year	Between 2 and 5 years	Over 5 years
Trade and other payables	17,880,292	17,880,292	17,880,292	-	-
	17,880,292	17,880,292	17,880,292	-	-
	17,880,292	17,880,292	17,880,292	-	-

At 31 March 2021

	Carrying amount	Total contractual cashflows	less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	19,189,860	19,189,860	19,189,860	-	-	-
Subtotal	19,189,860	19,189,860	19,189,860	-	-	-
	19,189,860	19,189,860	19,189,860	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. 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:

	2022	2021
Financial instrument		
Cash and cash equivalence	10,301,298	5,817,463
Receivables from exchange transactions	3,420,106	3,556,686
Payables from exchange transactions	17,880,292	19,189,860

Market risk

Interest rate risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the entity's income or the value of its holdings of financial instruments. Market risks comprises of interest rate risk, currency risk and other price risk.

30. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus of 230,037,429 and that the entity's total assets exceed its liabilities by 230,037,441.

The company has made a net surplus of R7,566,722 as at 31 March 2022.

The company has net current liabilities of R7,221,591 as at 31 March 2022.

The company had a positive net cash flow from operation of R9,480,199.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022

2021

30. Going concern (continued)

The directors believe that the company has adequate financial resources to continue in operations for the foreseeable future and accordingly the financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations based on the reviewed a strategic plan that will facilitate to meet its foreseeable cash requirements. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company. Briefly, below are some of the factors that the directors considered to support going concern for period of twelve months ending March 2022.

The company received annual grant allocation of R67 331 000 to fund operational requirements for the budget period 2021/22.

The grant allocation for 2022/23 is R67 331 000.

- The company has implemented cost containment measures to ensure that spending is aligned to collections.
- The airport is a key strategic asset of the provincial government, as the only international airport and is at the cornerstone of economic initiatives of the province. From directors' assessment based on understanding of the environment there are no legislative, regulatory or policy changes that negatively affect and impact the company
- The directors have assessed the current contingent liabilities and made appropriate provision in the cash flow forecast for 2022/23 based on probability of each case

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these are shareholder funding and that the members will continue to implement the turnaround strategy.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022 2021

31. Fruitless and wasteful expenditure

Opening balance	8,130,014	1,788,011
Add: Fruitless and wasteful expenditure - current	755,376	6,633,456
Less: Amounts recovered	-	-
Less: Debt written off	-	(291,453)
Less: Amounts raised as debt	-	-
Closing balance	8,885,390	8,130,014

Incidents/cases of fruitless and wasteful expenditure identified in the current year include below listed:

Municipal account - Interest on municipal invoices	131,218	340,432
SARS - Interest and penalties	602,762	457,919
AGSA - Interest	21,396	-
CMO Group - Penalties on late payment	-	5,835,104
	755,376	6,633,455

32. Irregular expenditure

Opening balance	49,045,160	43,728,585
Add: Irregular Expenditure - current	999,934	5,419,061
Less: Amounts condoned	-	(102,486)
Closing balance	50,045,094	49,045,160

Incidents/cases of irregular expenditure identified in the current year include those listed below:

Suppliers	Reasons for Irregular expenditure	2022
GAAL officials	Appointment off officials outside approved organizational structure without following due process	232,824
GAAL officials	Appointment off officials outside approved organizational structure without following due process	767,110
		999,934

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022

2021

33. Deviation from supply chain management regulations

1. Legal Services Labour Court (Rate per hour) - an amount of R1 700/hour of which the three (3) quotations procedure was not applied, instead only one (1) quotation was attained due to the case being a continuity.
2. South African Civil Aviation Authority - CAT 7 Aerodrome Licence Renewal - an amount of R 102 786,00 of which the three (3) quotations procedure was not applied, instead only one (1) quotation was attained due to the service provider being the sole regulatory body providing the service.
3. Nissan BB Auto (Pty) Ltd - Repairs and servicing of Nissan Hardbody - an amount of R 82 339,18 of which the three (3) quotations procedure was not applied, instead one (1) quotation was attained due to the service provider being the sole supplier for the service.
4. Nissan BB Auto (Pty) Ltd - Repairs and servicing of Nissan Hardbody - an amount of R5 443,40 of which the three (3) quotations procedure was not applied, instead one (1) quotation was attained due to the service provider being the sole supplier for the service
5. South African Civil Aviation Authority - Adhoc Audit Inspection - an amount of R21 189.40 of which the three (3) quotations procedure was not applied, instead one (1) quotation was requested due to the service provider being the sole regulatory body providing the service.
6. Global Africa Network Media (Pty) Ltd - an amount of R87 342.50 of which the three (3) quotations procedure was not applied, instead one (1) quotation was requested due to the service provider offering services for the targeted media.
7. South African Civil Aviation Authority - Navigational Aid Equipment Calibration Services - an amount of R220 693.60 of which the three(3) quotations procedure was not applied, instead one (1) quotation was requested due to the service provider being the sole regulatory body providing the service.

Gateway Airports Authority SOC Limited (GAAL)

Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

2022 2021

34. Accounting by principals and agents

Agent relationship

Agent: ATNS Agent: ATNS

Opening	21,328,053	20,030,118
Additions	896,786	334,154
Payments collected	(4,141,474)	(276,915)
Rejection	(4,415)	(1,035)
Interest charged	987,368	1,241,731
	19,066,318	21,328,053

Gateway Airport Authority Limited (the principal), has duly appointed ATNS (the agent) with power of principal agent to perform approach fees billing and collection on which the Polokwane International Airport Airspace is situated, and in respect of which the South African Civil Aviation Authority has duly licensed the agent to act as the airport authority.

The aggregate amount that the entity recognised as commission for the transactions carried out is R207 074 (2021: R13 846).