

ANNUAL REPORT 2019/2020



GAAL

GATEWAY AIRPORTS AUTHORITY LIMITED

• GATEWAY TO THE REST OF AFRICA



2019/2020 ANNUAL REPORT



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PART A:

GENERAL INFORMATION

1.1 PUBLIC ENTITY GENERAL INFORMATION

REGISTERED NAME: Gateway Airports Authority (SOC) Limited

DIRECTORS:

01 April 2019 to October 2019:	Mr TM Nkoana
	Princess T Nkambule
	Dr G Nethengwe
	Chief L Matsila
	Mr M Teffo
	Mr P Ndlala
	Mr J Luthuli
	Mr D Kharidza
22 November 2019 - 31 March 2020	Mr N Molope
	Ms N Kgwatalala
	Mr N Mangena
	Ms F Hetisani
	Mr P Ndlala
	Ms P Semenya
	Mr. G Makoko

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: Adv Thixedzwi Maphiswana

COMPANY SECRETARY: Advocate S Ledwaba

1.2 LIST OF ABBREVIATIONS AND GLOSSARY

ACI:	Airports Council International
ACSA:	Airports Company South Africa
ATNS:	Air Services Navigation Services
Board:	The board of directors of GAAL
CEO:	Chief Executive Officer of GAAL
Civil Aviation Act:	Civil Aviation Act 13 of 2009
Civil Aviation Act Regulations:	Civil Aviation Regulations 2011, Part 139- Aerodromes And Heliports, enacted in terms of the Civil Aviation Act 13 of 2009
Companies Act:	Companies Act 71 of 2008, as amended from time to time
Department of Transport:	Limpopo Department of Safety, Security and Liaison, now referred to as the Department of Roads and Transport
GAAL:	Gateway Airport 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
LCA:	Low cost airline
LDTCS:	Limpopo Department of Transport and Community Safety
MEC:	Member of the Executive Council
MOI:	Memorandum of Incorporation of GAAL
PE:	Public Entity
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), as amended from time to time

SETA:	Services Sector Education and Training Authority
Shareholder:	Limpopo Provincial Department
Shareholder's Compact:	Shareholder's Compact entered into between the and GAAL, dated 03 April 2019
ORTIA:	O R Tambo International Airport

FOREWORD BY

THE MEMBER OF EXECUTIVE COUNCIL OF TRANSPORT AND COMMUNITY SAFETY



Honourable MEC Mavhungu Lerule Ramakhanya

GAAL is an important Entity that is positioned to provide services for economic stimulation and social development for the province and we remain firm on the strategic direction of the Entity as the service point for public services which should be profitable, sustainable and fulfil its obligations.

As we continue to pull out all stops towards the achievement of a globally competitive integrated import and export platform to serve a variety of economic sectors linked to aviation in this province, it will be important both for the benefit of this Entity and the people of our province, that engagements continue with all relevant stakeholders for collaborations and assistance so that we are able to strengthen aeronautical and non-aeronautical streams of Polokwane International Airport.

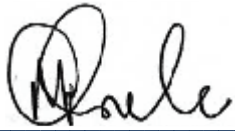
It is no longer a matter of debate that our people yearn for a well-functioning air transportation system in our province. They want a self-sustainable, growth catalysing and employment generating industry that put people at the centre of development. Our people want to see GAAL playing a leading role in upscaling the number of people who use Polokwane International Airport.

Worth noting is that this 2019/20 annual report was drafted at the time when the country and the world as a whole faced the COVID-19 pandemic which brought a halt to the business of the Airport. We take note that in this financial year, we cannot afford to relax but to do everything we can to regain the financial stability and to build a stronger and dependable Entity that will serve our populace.

The new epoch of renewal calls for innovation, decisiveness and rapid change. This in essence means doing things differently. I remain convinced that more than ever before, what is needed is a decisive Management that act boldly and in unison in the interest of our people.

The new period we are in requires that we steadily and safely transport the general public to their destinations, and also place a Board of Directors that will assist in shedding the image of dysfunction that became associated with this organisation, for a long time. It is our responsibility to ensure that there is leadership stability that will provide strategic oversight in the organisation so that the province is able to derive value from this institution. In the exercise of its fiduciary duty, the Board must ensure that there is prudent financial management and the maintenance of effective, efficient and transparent systems that are risk proofed in adherence to the principles of good governance.

As we navigate our way in the new financial year season, I'm certain that these are some of the ethos we need to guide this Entity in its forward journey to assure the people of the country of their safety and to cement the correct control systems in place in order to achieve clean audits going forward. I believe that this is possible.



HONOURABLE MAVHUNGU LERULE-RAMAKHANYA

MEMBER OF EXECUTIVE COUNCIL: TRANSPORT AND COMMUNITY SAFETY

OVERVIEW BY

THE ACTING CHIEF EXECUTIVE OFFICER



Adv Thixedzwi Maphiswana

It is an honour for me, on behalf of GAAL Management and staff to present the 2019/20 Financial Year Annual Performance Report. I look forward to working with the all stakeholders, mainly the employees of GAAL who ensure that the ship never sinks. Part of our responsibilities to the Board and the Shareholder, is to ensure maximum accountability in the execution of the mandate bestowed on us. As a result, we wish to, as part of the fulfilment of this responsibility, submit our full account of the activities of Gateway Airports Authority (SOC) Limited.

It is also with great enthusiasm for me to execute my vision for the Entity in an attempt to steer it into a financially sustainable and profit generating organisation. I envisage turning the Polokwane International airport into a hub for airfreight and passengers by setting up a feeder network for all airports within the province and by establishing a robust aviation industry in the province. Polokwane International Airport is strategically positioned as a gateway to the rest of Africa and it is my view that GAAL should capitalize on that positioning. With the effective and efficient utilization of resources and assets as well as the acquiring of investment and shareholder support, GAAL can definitely be financially self-sustainable and not be grant-dependent.

However, one cannot deny the great challenges that lie ahead of us, as this change will require a lot of hard work, commitment and focus as well as the development of skilled labour and strategic partnerships. We as an Entity seek to create prolific business opportunities to better maximise utilization of assets and resources so as to generate maximum profits. Amongst other prospective business opportunities, are the plans the Entity has to lease the 45 hectares of land to potential investors for business opportunities that will be in support of the growth, development and operations of the Entity. The Entity is also currently looking to secure alternative passenger and commercial airline operators as well as to increase routes to other airports. Such business prospects will allow the Entity to make Polokwane International Airport an optimally functioning airport that serves the needs of its clientele.

Economic factors play a big role in influencing the aviation industry. The world economy as well as the economic performance of a country have an impact on industries and affects business decision making processes with respect to business models and operations. The aviation industry is not immune to economic pressures. It has from time to time been obligated to adjust to the changing economic conditions as airport performance is primarily dependent on airline performance. In the previous months the country's economy has been declining and has not met the envisaged growth. To an extent, the country has been declared technically under recession as it has been experiencing a GDP shrinkage as well as the depreciation of the currency that was coupled with the rising fuel rates. Such factors have a detrimental impact on airlines and determine the effectiveness of GAAL's ability to attract other airlines into the Polokwane International Airport and thus has impacted the operating model that the entity adopted.

The Entity remains hard at work to ensure that it retains the Polokwane International Airport license, improve on airport safety and security measures as well as to continuously improve in the operational capacity and efficiency.

In conclusion, I wish to express my profound gratitude, to the Shareholder, MEC Mavhungu Lerule-Ramakhanya for her strategic support and guidance since the time she joined the Department and during the COVID-19 pandemic, members of the Board for the unwavering support and direction they gave throughout as well as the Management and Employees of GAAL for their continuous hard work and commitment in ensuring that GAAL realises its mission.

Thank you

A handwritten signature in black ink, appearing to read 'Adv T Maphiswana', is written over a horizontal blue line.

Adv T Maphiswana
Acting Chief Executive Officer: GAAL

2. 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 South African Generally Accepted Accounting Principles.

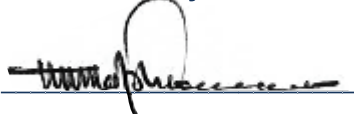
The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made with respect in this information.

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 2020.

Yours Sincerely



Adv Thixedzwi Maphiswana
Acting Chief Executive Officer

Date 09/02/2021



MEC Mavhungu Lerule Ramakhanya
MEC: Department Of Transport And Community
Safety

Date: 26/02/2021

3. 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

Customer centric

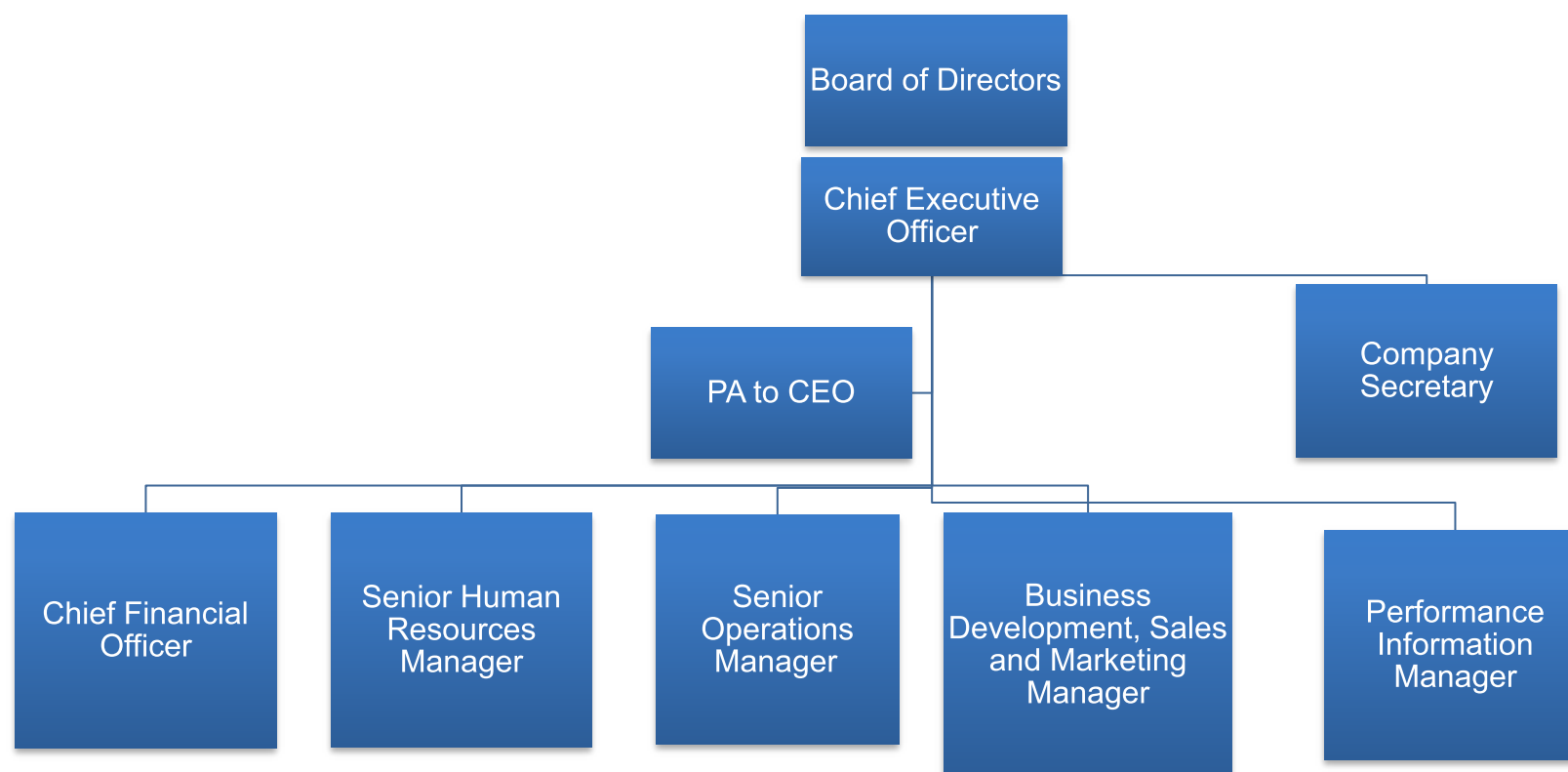
Providing innovative all-round service delivery to the customer needs and positive experience

3. 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



BOARD MEMBERS (April 2019 - October 2019)



Chairperson of the Board
Mr. Tom Nkoana



Deputy Chairperson
Princess Tsakani Nkambule



RHEMCO Chairperson
Chief Livhuwani Matsila



BOC Chairperson
Mr Justice Luthuli



Audit and Risk Chairperson
Mr. Kharidza Dzuguda



Director
Mr. Percy Ndlala



Director
Dr. Gladys Nethengwe



Director
Mr Madumetja Teffo

PART B:

PERFORMANCE INFORMATION

1. SITUATIONAL ANALYSIS

Gateway Airports Authority (SOC) Limited is a schedule 3D provincial state-owned enterprise. The mandate of GAAL is to manage all non-private airports including Polokwane International Airport in compliance with various legislative and administrative acts, including the Civil Aviation Authority (CAA) Act no 38 of 2009. GAAL receives a grant from the Department of Transport and Community Safety.

Polokwane International Airport

Polokwane International Airport (PIA) is the only international airport in the Province. The airport is located at an elevation of 1 242 m and has two surfaced runways i.e.

- Runway 01/19: Dimensions: 2 500 m x 45 m
- Runway 05/23: Dimensions: 2 340 m x 45 m

The Airport also boasts of the following features:

- Polokwane International Airport (PIA) holds a category 7 international License
- 60 000 Passengers movements and 5100 aircraft movements occur in the 2019/20 Financial year
- Four aprons with a parking capacity of 74,800square meters are available
- The airport has 18 hangars

1. SERVICE DELIVERY ENVIRONMENT

Global and economic challenges are the main reasons for the decrease in aircraft and passenger movement in the aviation industry. The fuel price remains one of the costs that drive the aviation industry profitability. The unstable price impacts on the profitability and stability of our aircraft and passenger movement.

In order to minimize this negative impact on Polokwane International Airport, the Entity is revising its strategic direction to focus on development, by ensuring that the land around the airport is utilized to its maximum potential and the Entity, is self-sustainable. The major focus for the 2019/20 financial year was to increase the non-aeronautical revenue and engage low cost airlines that would operate from the Airport. Although the goal has not been achieved yet, the Management of GAAL continue to engage various Airline companies.

The Entity is also strengthening its strategic partnership with other stakeholders with a view to align and partner with them in order to maximize its value in Limpopo. The possibility of increasing the competitiveness of Polokwane International Airport through developing small regional airports as feeders also needs to be investigated. Below, is a history of aircraft and passenger movements in the last five (5) years.

AIRCRAFT AND PASSENGER MOVEMENT: 2015 – 2019

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

TYPE	2015/16	2016/17	2017/18	2018/19	2019/20
Domestic Schedule	2222	1810	2220	1784	1704
Domestic non-scheduled	3818	3703	2900	2366	2377
Regional non-scheduled	562	338	475	480	397
International non-scheduled	898	950	900	555	586
TOTAL	7500	6601	6495	5185	5064

Figure 2: The history of passengers' movements:

TYPE	2015/16	2016/17	2017/18	2018/19	2019/20
Domestic Schedule	42963	56 671	50 412	51577	49335
Domestic non-scheduled	5010	4451	4296	3683	4767
Regional non-scheduled	1080	1329	1294	1142	849
International non-scheduled	1505	1184	1380	1139	1020
TOTAL	50558	63635	57382	57541	55 971

2. KEY POLICY DEVELOPMENTS AND LEGISLATIVE AND OTHER MANDATES

There has been no significant changes to GAAL's legislative and other mandates in the financial year under review except for the introduction of the King iv recommendations on the Board Committees.

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

Strategic Objective	Audited/Actual performance			Actual performance 2019/20	Medium-term targets		
	2016/17	2017/18	2018/19		2020/21	2021/22	2022/23
Improved institutional capacity and accountability	Unqualified	Qualified	Qualified	Qualified	Clean Audit	Clean Audit	Clean Audit

3.2 BUSINESS DEVELOPMENT

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

Strategic Objective	Audited/Actual performance			Actual performance 2019/20	Medium-term targets		
	2016/17	2017/18	2018/19		2020/21	2021/22	2022/23
To develop and implement socio-economic projects to enhance GAAL's self-sustainability	-	-	-	New	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 Airside Operations and Landside Operations.

Strategic Objective	Audited/Actual performance			Actual performance 2019/20	Medium-term targets		
	2016/17	2017/18	2018/19		2020/21	2021/22	2022/23
Continuous improvements in airport safety and security by complying with aviation regulatory frameworks							
Continuous improvements in Airport safety and Security by complying with aviation regulatory frameworks	-	-	-	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	Comment on Variations
	2019/20	2019/20		
Sub Programme 1.1 Chief Executive Officer				
Unqualified Audit Opinion Achieved	Unqualified	Qualified	0	Qualified on property, plant and Equipment; receivables from exchange transactions; VAT receivables; payables from exchange transactions; general expenditure; prior year adjustment and errors
Facilitate the transfer of Land	4	0	4	Outstanding requirements for acquisition of title deeds
Invite investors to setup a solar farm on the airside	1	0	4	Poor planning
Setup a waste recycling zone within the PIA precinct	1	0	1	Budget constraints and poor planning
Review of approval of Delegation of Authority policy	3	1	1	None
Annual Report	1	1	None	None
Sub Programme 1.2: Finance				
1.2.1 Revenue and Expenditure Management				
Unqualified Audit Opinion Achieved	1	-	-	-
Realign and prioritize OPEX and CAPEX budgets to the new strategy	1	1	1	None

Improve liquidity and solvency ratio	80% of Debt collection	114% of debt collected	Recovery of long outstanding debt from SA Airlink	None
Review and enhance financial systems and processes	1	0	1	No new project was implemented hence we could not rollout POS
Develop new revenue budgeting and accounting framework	1	1	-	None
Bill the Polokwane Airport for utilizing the aerospace	4	3	1	To be issued once lockdown is uplifted
Implement cost containment measures	4	4	0	None
Bid Committees	4	4	2	Change of leadership delayed the process
Contract Management	12	3	3	None
Suppliers Performance Monitoring	12	12	12	None
Revenue, budget and expenditure management	4 Finance Report	4	4	None
Verification of Assets	2	1	1	The verification will resume once the lockdown is uplifted
Asset Reconciliation	12	12	None	None
Asset Disposal	2	1	1	The board audit committee resigned
Submission of SCM Compliance Reports (Procurement Plan, Deviation, Spend Report, Contract above R100k)	4	4	4	None
Budget Process	4	4	4	None
Implementation of procurement plan	4	4	3	Suspension of the CEO and COVID-19 lockdown
Unqualified audit opinion	4	-	-	-
Annual Financial Statements	1	1	1	None

1.2.2 Risk and Compliance Management				
Compliance	4	4	4	None
Governance (SCOPA, Treasury checklist)	4	4	4	None
Coordination of Internal Audits	12	10	2	COVID-19 lockdown
Coordination of External Audits	4	4	4	None
Coordination of Audit Steering Committee	4	3	1	AG Audits will be held in the 4 th quarter
Coordination of Risk Management Committees	4	2	2	Non availability of the Board
Risk Management	4	3	1	Non availability of the Board
Implementation of fraud prevention plan	2	2	2	None
Monitoring of Fraud Helpline	12	12	12	None
Coordination of Financial Misconduct Committee	4	3	1	Restructuring of the Committee
Review of Corporate policy environment	1	1	1	None
1.2.3 Information and Communications Technology				
Unqualified Audit Opinion Achieved	Unqualified	Qualified	0	Qualified on property, plant and Equipment; receivables from exchange transactions; VAT receivables; payables from exchange transactions; general expenditure; prior year adjustment and errors
Assess and enhance existing operational systems and processes	4	0	4	The Airport is too small for the implementation of the system
Source internal web hosting server	1	0	1	COVID-19 lockdown
Implementation of IT strategy	1	1	1	None

Coordination of ICT Steering Committee	4	3	1	Non availability of committee members
Implementation of the Disaster recovery Plan	1	0	0	Delays in procurement process of the Service Providers
Maintenance of the of the Server room and website	4	4	4	None
Management of Electronic Devices and equipment (Telephones, Cameras, X-ray scanners, Printers)	4	4	4	None
Sub Programme 1.3				
Human Resources				
Unqualified Audit Opinion Achieved	Unqualified	Qualified	0	Qualified on property, plant and Equipment; receivables from exchange transactions; VAT receivables; payables from exchange transactions; general expenditure; prior year adjustment and errors
Conduct employee satisfaction survey	2	1	1	COVID-19 lockdown
Job Grading	1	0	1	Job grading is being reviewed by the Board
Develop Performance Management Framework	1	0	1	Due to resignation of the Board, the policy was not approved
Performance Reviews	4	1	3	Non availability of committee members and delays in policy approval
Develop Skills Development plan	4	2	2	Delays in policy approval and COVID-19 lockdown
Implementation of Remuneration and reward strategy	2	0	2	No nominations and awards were conducted
Filling of vacant positions	7	0	7	Budget constraints
Labour Relations				

Engagement with the Unions	12	2	10	Non availability of committee members and COVID-19 lockdown
Improve Employee Engagement	4	2	2	The CEO had resigned
Implementation of Employment Equity Plan	4	0	4	Members did form a quorum and thereafter resigned COVID-19 lockdown
Implementation of Occupational Health and Safety Plan	4	0	4	Meeting did not form a quorum and COVID-19 lockdown
Conduct training of personnel	16	4	12	Delays in submission of training needs and COVID-19 lockdown
Insource of payroll	4	4	4	None
Sub Programme 1.4				
Corporate Governance				
Develop an enabling legislation	1	1	1	None
Convene and coordinate Board Meetings	4	3	1	Board had resigned and interim Board to be appointed
Convene and coordinate Board committee meetings	16	8	8	Board had resigned and Interim Board was to be appointed
Board Evaluation	1	1	1	None
Board Training	4	0	4	Financial constraints and thereafter the Board resigned
Review of Board Charters	1	1	1	None
Approval of the Shareholder's Compact	1	1	1	None
Board Conflict of interest register	4	4	4	None

Board Declarations of interest	1	1	1	None
CIPC Director Information	1	1	1	None
Filing of the Annual Returns	1	1	1	None
Annual General Meeting	1	0	1	Board had resigned
Coordinate Shareholder reporting	4	2	2	Board resigned and COVID-19 lockdown

5.2 PROGRAMME 2: BUSINESS DEVELOPMENT

Performance Indicator	Planned Target	Actual Achievement	Variations from planned Target to Actual Achievement	
	2019/20	2019/20		Comment on Variations
Unqualified Audit Opinion Achieved	Unqualified	Qualified	0	Qualified on property, plant and Equipment; receivables from exchange transactions; VAT receivables; payables from exchange transactions; general expenditure; prior year adjustment and errors
Number of lease agreements entered into	12	8	4	Expired lease agreements not renewed and aging infrastructure not appealing to attract new tenants
Airlines: Mango, SAA Express, FLYFofa, SAFAir	1	0	1	NAC-SA-NPC approval was put on hold by the Interim Board
Aviation Museum	1	0	1	Specification was not approved by the CFO
a) Gateway Printing and Courier	1	0	1	Project not budgeted for
Implement Stakeholder management plan	8	8	8	None
Number of marketing campaigns conducted:				
Conduct ADS- Airport Demographic Survey	55 000	5978	49 022	Survey had technical challenges due to system failure
PIA Awareness campaigns	4	4	4	None

5.3 PROGRAMME 3: OPERATIONS

Performance Indicator	Planned Target	Actual Achievement	Variations from planned Target to Actual Achievement	
	2019/20	2019/20		Comment on Variations
Number of internal safety and security inspections conducted	12	12	12	None
Number of Calibrations on Navigational aid (ILS, DVOR, DME)	3	0	3	The SACAA flight was unserviceable
Implementation of the maintenance plan	4	0	4	Budget constraints and poor planning
Application of Fuel Licence	1	0	1	Budget constraints and poor planning
Design small cargo handling facilities (T49)	4	0	4	Budget Constraints and poor planning
Establish a ground/ ramp handling facility	4	0	4	Budget Constraints and poor planning
Retention of the Airport's Licence	1	1	1	None
Facilitate registration of a provincial airline for JV's and code sharing agreements	1	0	1	Feasibility study to be conducted in the next financial year.
Design Airport to Airport feeder service delivery Plan	1	0	1	Feasibility study to be conducted in the next financial year
Develop an expansion plan	1	0	1	Budget Constraints

5. BUDGET ESTIMATES

	Baseline			MTEF			
BUDGET ELEMENTS	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/22	2022/23
	R'000	R'000	R'000	R'000	R'000	R'000	
REVENUE							
Income	19.409	21.527	27.335	29.312	30.729	32.225	34.030
-Aeronautical Income	10.437	9.663	5.703	6.371	6.721	7.091	7.488
- Non-Aeronautical Income	5.042	7.057	13.745	18.991	20.035	21.137	22.321
Deferred grant	3.480	3.433	3.535	3.535	3.535	3.535	3.733
Interest	450	1.374	3.352	440	438	462	488
Govt. Grant	52.489	51.055	67.380	53.151	54.953	57.920	59.827
TOTAL REVENUE	71.898	72.582	94.692	82.463	85.682	90.145	93.857
EXPENDITURE							
Current Payments	67.153	68.157	65.399	78.316	82.142	86.364	90.850
Compensation of employees	29.300	33.271	34.784	38.050	40.131	42.338	44.710
Goods and services	37.853	34.886	30.615	40.266	42.011	44.026	46.140
Interest and rent on land	-	-	-	-	-	-	-
Transfer and subsidies	-	-	-	-	-	-	-
Payment on capital assets	13.000	2.243	3.000	-	-	-	-
Payments for financial Assets	-						
TOTAL EXPENDITURE	80.153	70.400	68.399	78.316	82.142	86.364	90.850

6. REVENUE COLLECTION

	2018/19			2019/20		
SOURCES OF REVENUE	BUDGET	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION	BUDGET	ACTUAL AMOUNT COLLECTED	(OVER)/UNDER COLLECTION
Aeronautical	R5.500	R9.663	R4.163	6.371	4.173	2.198
Non – Aeronautical	R10.500	R7.057	(R3.443)	18.991	14.681	4.310
Total	R16.000	R16.720	R720	25.362	18.854	6.508

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

GAAL had two different Boards in the 2019/20 financial year. The 1st Board served from the 01 April 2019 until October 2019 and are listed hereunder:

NAME	DESIGNATION	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIP	OTHER COMMITTEES	NO. OF MEETINGS ATTENDED
Mr TM Nkoana	Chairperson	01 June 2017	October 2019	Diploma: Management Certificate: Strategic Marketing Management Certificate: Programme and Project Management	Transport Management	GAAL LEDA	None	6
Princess BT Nkambule	Deputy Chairperson	01 June 2017	October 2019	B.SC H. Diploma: Education B. Education Certificate: Women in Business Leadership, a Global Perspective	Project (Business) Management	Greensweep Sizisa Quintax Greys Endoni	Board Risk and Opportunities	3
Chief L Matsila	Independent Director	01 June 2017	October 2019	B.SC: Botany and Zoology B.SC Honours: Botany M. SC: Zoology	Community Development	GAAL	HR and Social Ethics	5
Dr TG Nethengwe	Independent Director	19 June 2017	October 2019	Certificate: Primary Teaching BA: Educational Management BA.Honours: Drama & Literature M.A: Female Linguistics Etiquette with reference to MuVenda woman PHD: The study of Chieftaincy	Education	GAAL	HR and Social Ethics	4
Mr PBJ Luthuli	Independent Director	01 June 2017	October 2019	B.SC: Mechanical Engineering B. Com Honours: Transport Economics Post Grad Diploma: Air Cargo M.A: Business Administration	Aviation	UCT Association of Black Alumni The Health Village Intra 2 Inter Holding Intra to Inter Transport	Audit and Risk Board Risk and Opportunities	3

NAME	DESIGNATION	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIP	OTHER COMMITTEES	NO. OF MEETINGS ATTENDED
						Logistics Solutions		
Mr DR Kharidzha	Independent Director	01 June 2017	October 2019	Cert: Public Management Cert: Public Relations Dip: Business Management Dip: Municipal Governance BA: Social Work BA. Honours: Social Work M.A: Development	Social Work and Education	Central Lake Trading	Audit and Risk	6
Mr MB Teffo	Independent Director	01 June 2017	October 2019	National Dip: Public Management and Administration B.Tech: Business Administration National Higher Cert: ABET B.Tech: Management	Local Government	GAAL	Board Risk and Opportunities	6
Mr PK Ndlala	Shareholder Rep	01 December 2017	October 2019	B.A: Education B.A: Honours: Geography	Local Government	GAAL	N/A	4

The 2nd Board was the Interim Board which was appointed to bring stability to the Entity and to put controls in place:

NAME	DESIGNATION	DATE APPOINTED	DATE RESIGNED	OTHER COMMITTEES	NO. OF MEETINGS ATTENDED
Mr N Molohe	Chairperson	26 November 2019	31 March 2020	-	7
Ms P Semanya	Member	26 November 2019	31 March 2020	Audit and Risk	7
Ms Kgwatalala	Member	26 November 2019	31 March 2020	Audit and Risk	4
Mr Mangena	Member	26 November 2019	31 March 2020	RHEMCO	7
Ms F Hetisani	Member	26 November 2019	31 March 2020	Audit and Risk	4
Mr Makoko	Member	26 November 2019	31 March 2020	-	7
Mr P Ndlala	Shareholder Rep	26 November 2019	31 March 2020	-	5

4. REMUNERATION OF THE BOARD

NAMES	SITTING ALLOWANCE	OTHER ALLOWANCES	TOTAL
Mr TM Nkoana	20.200	22.215	42.415
Princess BT Nkambule	17.144	29.401	46.545
Chief L Matsila	25.525	37.310	62.835
Dr TG Nethengwe	19.144	34.913	54.057
Mr PBJ Luthuli	-	19.254	19.254
Mr DR Kharidzha	12.763	26.929	39.692
Mr MB Teffo	-	16.043	16.043
Mr PK Ndlala	-	-	-

5. COMMITTEES OF THE BOARD

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

Committee	No. of meetings held	No. of Members	Committee Members
Audit and Risk Committee	2	3	Mr PBJ. Luthuli Mr DR Kharidzha Princess BT Nkambule
Business Opportunities Committee	5	3	Princess BT Nkambule Mr M Teffo Mr J Luthuli
Remuneration, HR and Social Ethics Committee	4	2	Chief L Matsila Dr G Nethengwe
Nominations Committee	1	3	Mr TM Nkoana Princess BT Nkambule Mr P Ndlala

6. RISK MANAGEMENT

The Board of Directors, as the Authority accountable to the Shareholder for the affairs of GAAL concerns itself with Risk Management. Institutions are required by the Public Finance Management Act Chapter 6, Part 2, s51 (1) (a) "An Accounting Authority for a public Entity must ensure that public Entity has and maintains effective, efficient and transparent systems of Financial and Risk Management and internal controls.

In this regard, the application of Risk management system is emphasised by the Treasury regulations, Risk Management framework and King iv report on corporate governance.

GAAL's risk assessment has been conducted using the facilitation session whereby members identified organisational risks and controls collectively at strategic and at an operational level based on the set objectives. For the Financial Year under review, seven (7) strategic risks were identified and one (1) was fully mitigated while the other six (6) remained high and have been migrated to the next Financial year.

7. 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.

7.1 AUDIT COMMITTEE MEMBERS AND ATTENDANCE

NAME	DESIGNATION	NO. OF MEETINGS ATTENDED	DATE APPOINTED
Mr DR Kharidzha	Chairperson	2	01 June 2017
Princess BT Nkambule	Member	2	01 June 2017
Mr M Teffo	Member	2	01 June 2017

7.2 INTERIM BOARD AUDIT COMMITTEE AND ATTENDANCE

NAME	DESIGNATION	NO. OF MEETINGS ATTENDED	DATE APPOINTED
Ms P Semanya	Chairperson	1	22 November 2019
Ms F Hetisani	Member	1	22 November 2019
Ms N Kgwatalala	Member	1	22 November 2019

8. 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 2019/20 financial year, GAAL did not receive any complaints through that number.

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 is the appointed Company Secretary of Gateway Airports Authority (SOC) Limited.

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.

Thirteen (13) interns were appointed in the field of HR, Finance, ICT, Electrical, Risk and Compliance as part of contributing to skills development of the province.

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

- The Supply Chain Department remains understaffed, which puts the department under pressure and 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	12 706 177.34	39.2%	28	409 876.69
Business Development	1 982 300.10	6.1%	5	330 383.35
Operations	17 698 575.70	54.7%	40	376 565.44
TOTAL	32 387 053.14	100%	73	R1116 825.48

3. LEVELS

LEVEL	PERSONNEL EXPENDITURE	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Senior Management	R4,667300.00	14.3%	6	R777 883.33
Professionally Qualified	R3 516 892.31	10.7%	5	R502 413.20
Skilled	R6 856 493.61	20.9%	14	R489 749.56
Semi-Skilled	R17 270 458.66	52.8%	58	R218 613.40
Unskilled	R386 620.26	1.2%	2	R193 310.13
TOTAL	R32 734 948.76	100%	73	R389 701.77

4. EMPLOYMENT AND VACANCIES

PROGRAMME	VACANCIES	APPOINTMENTS	TERMINATIONS
Administration	1	1	1
Business Development	0	0	0
Operations	5	0	2
Total	5	1	3

5. EMPLOYMENT CHANGES

Reasons for employees leaving:

REASON	NUMBER	Percentage
Resignation	0	0%
Retirement	3	4%
Total	3	4%

6. LABOUR RELATIONS, MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal warning	0
Written Warning	1
Final Written Warning	0
Dismissal	0
Precautionary suspension	1
Punitive suspension	0
Number of pending disciplinary hearing	2
Total	4

7. EMPLOYMENT EQUITY

LEVEL	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
Professionally Qualified	6	0	0	0	6
Skilled	16	0	0	0	16
Semi-Skilled	55	0	0	1	55
Unskilled	3	0	0	0	3
Total	85	0	0	1	85



PART E:

FINANCIAL INFORMATION

Report of the auditor-general to Limpopo Provincial Legislature on Gateway Airports 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 ... to ..., which comprise the statement of financial position as at 31 March 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the 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 entity as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of and the requirements of Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No 71 of 2008).

Basis for qualified opinion

Property, plant and equipment

3. During the prior financial year, I was unable to obtain appropriate sufficient audit evidence that management properly accounted for buildings (work in progress) due to the status of the accounting records and non-submission of information in support of this asset. I was unable to confirm this asset by alternative means. My opinion on the financial statements for the period ended 31 March 2019 was modified accordingly. The current year's financial statements are also modified due to the effect of this misstatement on the comparability of the buildings and the accumulated surplus for the period.
4. During the audit I have identified material impairment indicators which suggest that work in progress projects are materially misstated. Management subsequently provided an impairment figure without appropriate sufficient audit evidence of how this figure was calculated and the considerations thereof. As a result, I was unable to determine the impact on the net carrying amount of these assets, as it was impracticable to do so.

Receivables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence that management properly accounted for credit notes made on receivables from exchange transactions, due to the status of the accounting records. I was unable to confirm the validity of these adjustments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions stated at R3 917 619 (2019: R5 207 034) in the financial statements. Additionally, there is a resultant impact on surplus and accumulated surplus.

VAT receivable

6. I was unable to obtain sufficient appropriate audit evidence that management properly accounted for credit notes made on VAT receivables, due to the status of the accounting records. I was unable to confirm the validity of these adjustments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to VAT receivables stated at R1 738 649 (2019: R23 793) in the financial statements.
7. I identified a difference of R1 100 662 between VAT 201 forms submitted to SARS and the amount recorded in the general ledger for VAT output transactions. Consequently, VAT receivables was overstated by R1 100 662 and payables from exchange transactions were understated by the same amount.

Payables from exchange transactions

8. The entity did not have adequate systems in place to maintain records for accrual expenses. I identified a difference between the accrual expenses schedule and the amount recorded in the financial statements amounting to R2 780 651. Consequently, payables from exchange transaction was overstated by R2 780 651 and accumulated surplus is overstated by the same amount.

General expenditure

9. The entity did not recognise all items of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Items qualifying for the recognition criteria of an asset, were incorrectly classified as repairs and maintenance. Consequently, repairs and maintenance was overstated and property, plant and equipment was understated by R4 533 260.

Prior year adjustment and errors

10. SA Standards of GRAP 3: *Accounting policies, change in accounting estimates and errors* requires all material prior period errors to be corrected retrospectively by restating the comparative amounts for the periods in which the error occurred by disclosing the nature of the prior period error, the amount, and the financial line item affected. The entity did not provide sufficient audit evidence to substantiate that all prior period errors that have been included in note 29 to the annual financial statements correctly in terms of the requirements of GRAP 3. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in the financial statements. There is a consequential impact on the statement of changes in net assets.

Context for the opinion

11. 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 this auditor's report.
12. I am independent of the entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International

Ethics Standards Board for Accountants (IESBA codes) as well as the 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 codes.

13. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern/ financial sustainability

14. I draw attention to note 31 to the financial statements, which indicates that the entity incurred a net loss of R25 865 899 during the year ended 31 March 2019 and, as of that date the entity's current liabilities exceeded its current assets by R28 978 513. As stated in note 31, these events or conditions, along with other matters as set forth in note 31, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Emphasis of matters

15. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainty

16. With reference to note 33 to the financial statements, the entity is the defendant in various lawsuits amounting to R22 819 875 (2019: R21 904 199). The entity is opposing these claims as it believes that it has reasonable grounds to successfully defend the claims.

Other matters paragraph

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

Unaudited supplementary schedules

18. 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 board of directors for the financial statements

19. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP, the requirements of the PFMA and the Companies Act of South Africa, 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.
20. 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

21. 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.
22. 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

23. In accordance with the Public Audit Act of South Africa 2004 (Act No. 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 programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
24. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to 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.
25. 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 programme presented in the annual performance report of the entity for the year ended 31 March 2020:

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

26. I performed procedures to determine whether the reported performance information was properly presented and whether performance 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.

Programme 1 - Operations

27. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme.

Other matters

28. I draw attention to the matters below.

Achievement of planned targets

29. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a number of targets.

Adjustment of material misstatements

30. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 3 – operations. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

31. 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.
32. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

33. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(a) of the PFMA.

Material misstatements on current assets, disclosure items and cash flow statement identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

Consequence management

34. Disciplinary steps were not taken against some of the officials who had incurred and/or permitted irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA.

Expenditure management

35. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The value as disclosed in note 35, is not complete as

management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the irregular expenditure disclosed in the financial statements was caused by deviation from prescribed SCM process.

36. Effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure amounting to R 718 253, as disclosed in note 34 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 SARS penalty and interest on the municipal accounts.

Other information

37. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa 2008 (Act No. 71 of 2008). The other information does not include the financial statements, the auditor's report and those selected programme presented in the annual performance report that have been specifically reported in this auditor's report.
38. 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 thereon.
39. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated
40. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Internal control deficiencies

41. 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 and the findings on compliance with legislation included in this report.
42. The entity developed a plan to address audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner as recurring misstatements were identified during the audit.
43. The financial statements were not reviewed by the board and the audit committee as the entity did not have a board and audit committee during the year under review.
44. Adequate controls over daily and monthly processing and reconciling of transactions were not properly implemented and as a result, material misstatements were identified during the audit.

45. The entity did not have systems in place for supply chain management as there were several findings on non-compliance with legislation related to supply chain management issues, which were not detected or prevented by internal controls system resulting in non-compliance with laws and regulations.

Other reports

46. 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.
47. There are several investigations that are being conducted by independent regularity bodies investigating allegations on the entity's supply chain management, performance management system, salary discrepancies and suspected cybercrimes at the request of the entity, which covered the period ended 31 March 2020. The disciplinary actions are still on-going. These proceedings were in progress as at the date of this auditor's report.

auditor-general

Polokwane

09 November 2020



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 board of directors, which constitutes 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 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 confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

Trading as Gateway Airports Authority Limited (SOC)

Financial Statements for the year ended 31 March 2020

General Information

Country of incorporation and domicile

South Africa

Auditors

Auditor General of South Africa

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

Trading as Gateway Airports Authority Limited (SOC)

Financial Statements for the year ended 31 March 2020

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

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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)

(Registration number 1995/002792/06)

Trading as Gateway Airports Authority Limited (SOC)

Financial Statements for the year ended 31 March 2020

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.

These financial statements are 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.

The annual financial statements are prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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.

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 loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 loss.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2021 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 8 to 49, which have been prepared on the going concern basis, were approved by the on 01 March 2020 and were signed on its behalf by:

Chairperson of the Board
Designation

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

Trading as Gateway Airports Authority Limited (SOC)

Financial Statements for the year ended 31 March 2020

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2020.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 number of meetings were held.

Name of member	Number of meetings attended
Mr D Kharidza (Chairperson) (Resigned October 2019)	2
Mr J Luthuli (Resigned October 2019)	2
Mr M Teffo (Resigned October 2019)	2
Ms P Semanya (Chairperson) (Expired 31 March 2020)	1
Ms F Hetisani (Expired 31 March 2020)	1
Ms N Kgwatlala (Expired 31 March 2020)	1

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the unaudited financial statements to be submitted to the Auditor-General of South Africa for Audit;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;

The audit committee concur with and the financial statements as presented by management, and are of the opinion that the financial statements should be accepted the Auditor-General of South Africa for audit.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Chairperson of the Audit Committee

Date: _____

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

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Financial Statements for the year ended 31 March 2020

Director's Report

The Directors have pleasure in submitting their report on the annual financial statements of Gateway Airports Authority SOC Limited for the year ended 31 March 2020, published in September 2020.

1. Incorporation

The Directors have pleasure in submitting their report on the annual financial statements of Gateway Airports Authority SOC Limited for the year ended 31 March 2020.

The entity was incorporated on March 1, 1995 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

3. Going concern

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 33 of the Annual Financial Statement for full disclosure.

4. Subsequent events

The members are not aware of any matter or circumstance arising since the end of the financial year.

Adjusting events

The entity received a court order that CMO is claiming an amount of R1 150 875 for the unpaid Invoices. The contingent liability will be adjusted.

The entity had Jet A1 fuel in the bowser before the COVID - 19, however during the lockdown it was noted that the fuel is contaminated due to stay for long without being used. This resulted on the inventory write down of R 183 227.18.

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.

The members of the entity's Board during the year and to the date of this report are as follows:

8. Secretary

The company secretary of the entity is Advocate MS Ledwaba

9. Auditors

Auditor-General of South Africa will continue in office in accordance with section 90 of the Companies Act, 71 of 2008 and Section 4 of Public Audit Act.

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

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Financial Statements for the year ended 31 March 2020

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.

Advocate MS Ledwaba
Company Secretary

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

Trading as Gateway Airports Authority Limited (SOC)

Financial Statements for the year ended 31 March 2020

Statement of Financial Position as at 31 March 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories		97,062	-
Operating lease asset		1,955,553	1,104,893
Receivables from exchange transactions	7	3,917,619	5,207,034
VAT receivable	8	1,738,649	23,793
Prepayments		364,000	364,000
Cash and cash equivalents	9	465,923	13,337,991
		8,538,806	20,037,711
Non-Current Assets			
Investment property	3	47,100,000	47,100,000
Property, plant and equipment	4	197,472,287	209,982,439
Intangible assets	5	64,206	90,138
		244,636,493	257,172,577
Total Assets		253,175,299	277,210,288
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	30,118,451	21,198,708
Employee benefit obligation	6	23,061	10,466
Unspent conditional grants and receipts	11	5,191,842	11,231,232
Provisions		364,000	364,000
Deferred grant		1,819,965	2,613,077
		37,517,319	35,417,483
Non-Current Liabilities			
Employee benefit obligation	6	137,759	174,835
Deferred grant		17,269,054	17,500,904
		17,406,813	17,675,739
Total Liabilities		54,924,132	53,093,222
Net Assets		198,251,167	224,117,066
Share capital / contributed capital	10	12	12
Accumulated surplus		198,251,155	224,117,053
Total Net Assets		198,251,167	224,117,065

* See Note 29

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

Trading as Gateway Airports Authority Limited (SOC)

Financial Statements for the year ended 31 March 2020

Statement of Financial Performance

Figures in Rand

	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services		8,059,149	9,202,487
Fees earned		1,881,381	1,317,954
Rental income		8,450,173	7,676,015
Interest received - investment	15	1,828,709	1,340,728
Gain on disposal of assets		-	8,144
Fair value adjustments		-	500,000
Actuarial gains		62,590	6,027
Total revenue from exchange transactions		20,282,002	20,051,355
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	16	56,432,947	53,295,685
Deferred Grant income		1,819,965	2,613,077
Total revenue from non-exchange transactions		58,252,912	55,908,762
Total revenue	13	78,534,914	75,960,117
Expenditure			
Employee related costs	17	(38,950,339)	(36,385,599)
Administration	18	-	(2,038)
Depreciation and amortisation		(12,984,493)	(14,737,453)
Impairment loss/ Reversal of impairments	19	(580,966)	(71,332)
Finance costs	20	(13,892)	(11,333)
Lease rentals on operating lease	14	(324,089)	(132,011)
Debt Impairment	21	(2,973,336)	(9,276,351)
Contracted services		(5,995,934)	(5,927,252)
Inventories losses/write-downs		(183,227)	-
Sale of goods/Inventory		(678,154)	-
General Expenses	22	(41,716,383)	(24,644,083)
Total expenditure		(104,400,813)	(91,167,452)
Deficit for the year		(25,865,899)	(15,207,335)

* See Note 29

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

Trading as Gateway Airports Authority Limited (SOC)

Financial Statements for the year ended 31 March 2020

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Opening balance as previously reported	12	234,989,622	234,989,634
Adjustments			
Prior year adjustments	-	4,334,766	4,334,766
Balance at 01 April 2018 as restated*	12	239,324,388	239,324,400
Changes in net assets			
Surplus for the year	-	(15,207,335)	(15,207,335)
Total changes	-	(15,207,335)	(15,207,335)
Restated* Balance at 01 April 2019	12	224,117,048	224,117,060
Changes in net assets			
Surplus for the year	-	(25,865,893)	(25,865,893)
Total changes	-	(25,865,893)	(25,865,893)
Balance at 31 March 2020	12	198,251,155	198,251,167
Note(s)	10		

* See Note 29

Gateway Airports Authority SOC Limited (GAAL)

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Financial Statements for the year ended 31 March 2020

Cash Flow Statement

Figures in Rand

	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		20,696,101	12,102,992
Grants		53,151,000	52,286,408
Interest income		1,828,709	1,340,728
		<u>75,675,810</u>	<u>75,730,128</u>
Payments			
Employee costs		(38,926,090)	(36,401,207)
Suppliers		(48,578,521)	(26,235,642)
Finance costs		(13,892)	(11,333)
		<u>(87,518,503)</u>	<u>(62,648,182)</u>
Net cash flows from operating activities	26	<u>(11,842,693)</u>	<u>13,081,946</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1,029,375)	(704,490)
Proceeds from sale of property, plant and equipment	4	-	183,079
Purchase of other intangible assets	5	-	(61,374)
Net cash flows from investing activities		<u>(1,029,375)</u>	<u>(582,785)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(12,872,068)</u>	<u>12,499,161</u>
Cash and cash equivalents at the beginning of the year		13,337,991	838,830
Cash and cash equivalents at the end of the year	9	<u>465,923</u>	<u>13,337,991</u>

* See Note 29

Gateway Airports Authority SOC Limited (GAAL)

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Financial Statements for the year ended 31 March 2020

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
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	16,307,385	(1,480,000)	14,827,385	8 059,149	(6,768,236)	Note 39
Fees earned	1,783,661	(224,741)	1,558,920	1 881,381	322,461	
Rental income	6,943,538	(874,886)	6,068,652	8 450,173	2,381,521	
Interest received - investment	940,416	1,404,901	2,345,317	1 828,709	(516,608)	
Total revenue from exchange transactions	25,975,000	(1,174,726)	24,800,274	20,219,412	(4,580,862)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	53,151,000	11,231,000	64,382,000	56 432,947	(7,949,053)	
Deferred Grant Income	3,336,000	-	3,336,000	1 819,965	(1,516,035)	
Total revenue from non-exchange transactions	56,487,000	11,231,000	67,718,000	58,252,912	(9,465,088)	
Total revenue	82,462,000	10,056,274	92,518,274	78,472,324	(14,045,950)	
Expenditure						
Personnel	(38,051,209)	(451,371)	(38,502,580)	(38 950,339)	(447,759)	
Depreciation and amortisation	-	-	-	(12 984,493)	(12,984,493)	
Impairment loss/ Reversal of impairments	-	-	-	(580,966)	(580,966)	
Finance costs	-	-	-	(13,892)	(13,892)	
Lease rentals on operating lease	(2,346,000)	(27,829)	(2,373,829)	(324,089)	2,049,740	
Debt Impairment	-	-	-	(2,973,336)	(2,973,336)	
Contracted Services	(16,537,830)	(196,175)	(16,734,005)	(5,995,934)	10,738,071	
Sale of goods/inventory	-	-	-	(678,154)	(678,154)	
General Expenses	(21,380,961)	(253,625)	(21,634,586)	(41,716,383)	(20,081,797)	
Total expenditure	(78,316,000)	(929,000)	(79,245,000)	(104,217,586)	(24,972,586)	
Operating deficit	4,146,000	9,127,274	13,273,274	(25,745,262)	(39,018,536)	
Actuarial gains/losses	-	-	-	62,590	62,590	
Inventories losses/write-downs	-	-	-	(183,227)	(183,227)	
	-	-	-	(120,637)	(120,637)	
Deficit before taxation	4,146,000	9,127,274	13,273,274	(25,865,899)	(39,139,173)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	4,146,000	9,127,274	13,273,274	(25,865,899)	(39,139,173)	

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

Trading as Gateway Airports Authority Limited (SOC)

Financial Statements for the year ended 31 March 2020

Accounting Policies

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.

Adoption of GRAP standards

The entity has changed the basis of reporting from SA GAAP to the standards of GRAP in compliance with the directive 12 as issued by Accounting Standard Board

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:

- (a) The entity is a financial institution;
- (b) The entity has ordinary shares or potential ordinary shares that are publicly traded on capital markets; or
- (c) 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.

Gateway Airports Authority SOC Limited (GAAL)

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Trading as Gateway Airports Authority Limited (SOC)

Financial Statements for the year ended 31 March 2020

Accounting Policies

1.3 Materiality (continued)

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:

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.

Useful lives and residual values of property, plant and equipment

The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the assets at the end of its useful life. In evaluating the how condition and use of the asset, informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

Other

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.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

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

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

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Financial Statements for the year ended 31 March 2020

Accounting Policies

1.5 Investment property (continued)

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

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.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Transitional provision

The entity changed its accounting policy for investment property in 2020. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the entity is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 31 March 2021.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the entity need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

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.

Gateway Airports Authority SOC Limited (GAAL)

(Registration number 1995/002792/06)

Trading as Gateway Airports Authority Limited (SAC)

Financial Statements for the year ended 31 March 2020

Accounting Policies

1.6 Property, plant and equipment (continued)

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

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the 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, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

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

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

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 - 17
Motor vehicles	Straight line	5 - 19
Office equipment	Straight line	5 - 29.5
IT equipment	Straight line	5 - 22
Leasehold improvements	Straight line	20 - 50
Infrastructure	Straight line	50
Electric equipment	Straight line	2 - 40
Baggage handling equipment	Straight line	5 - 30
Leased infrastructure	Straight line	3 - 50

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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Financial Statements for the year ended 31 March 2020

Accounting Policies

1.6 Property, plant and equipment (continued)

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity's 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.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Transitional provision

The entity changed its accounting policy for property, plant and equipment in 2020. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the entity is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 31 March 2021.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the entity is not required to measure that property, plant and equipment for a period of two years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The entity acquired a transfer(s) of function in 2020 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the entity need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

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1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale,
- there is an intention to complete and use or sell it,
- there is an ability to use or sell it,
- it will generate probable future economic benefits or service potential,
- there are available technical, financial and other resources to complete the development and to use or sell the asset,
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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1.8 Financial instruments

Classification

The company classifies financial instruments, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement

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.

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. Additional text

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.

Subsequent measurement

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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.

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.

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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 cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

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.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

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

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

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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1.11 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

1.12 Share capital / contributed capital

Ordinary shares are classified as equity.

1.13 Cash and cash equivalent

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.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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1.14 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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.

1.15 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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 the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

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1.15 Provisions and contingencies (continued)

Provisions are not recognised for future operating (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the 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

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality 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.

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.

Measurement

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

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..

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1.17 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, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

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

1.18 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.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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.

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1.18 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.19 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.

1.20 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.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

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1.20 Accounting by principals and agents (continued)

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.

1.21 Comparative figures

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

1.22 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.

1.23 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 year 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.

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Accounting Policies

1.23 Irregular expenditure (continued)

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.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the 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.

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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 2020 or later periods:

Standard/ Interpretation:

Effective date:
Years beginning on or
after

Expected impact:

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods but are not relevant to its operations:

Standard/ Interpretation:

Effective date:
Years beginning on or
after

Expected impact:

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3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	47,100,000	-	47,100,000	47,100,000	-	47,100,000

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property	47,100,000	47,100,000

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	46,600,000	500,000	47,100,000

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.

The entity has revalued the investment property that was previously valued on DRC method and the entity has transferred them out of the PPE to investment property in the prior year and valuation method used is Fair value method and the correction of an error was recorded through accumulated surplus.

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3. Investment property (continued)

Details of valuation

The effective date of the revaluations was . Revaluations were performed by an independent valuer, Mr T Madonsela (Professional Associated Valuer), of Lutendo Property Group (Pty) Ltd. The valuers are not connected to the entity and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

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.

Amounts recognised in surplus or deficit

From Investment property that generated rental revenue

Repairs and maintenance	141,258	2,516,945
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4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Building	130,845,162	(52,194,880)	68,650,282	131,116,702	(56,325,959)	74,790,743
Plant and machinery	3,399,267	(2,643,540)	755,727	3,306,266	(2,340,706)	965,560
Furniture and fixtures	5,254,454	(4,822,392)	432,062	5,026,821	(4,368,777)	658,044
Motor vehicles	14,638,220	(13,775,196)	863,024	14,638,220	(13,515,943)	1,122,277
Office equipment	2,437,026	(1,219,814)	1,217,212	2,635,284	(1,003,012)	1,632,272
IT equipment	2,780,434	(2,423,467)	356,967	2,605,235	(2,172,026)	433,209
Infrastructure	8,219,754	(8,194,289)	25,465	8,219,754	(8,181,550)	38,204
Electric Equipment	18,232,950	(14,918,424)	3,314,526	16,974,157	(12,978,492)	3,995,665
Baggage handling equipment	2,809,194	(2,717,554)	91,640	3,623,764	(3,465,162)	158,602
Roads	179,339,223	(57,573,841)	121,765,382	178,780,109	(52,592,246)	126,187,863
Total	367,955,684	(170,483,397)	197,472,287	366,926,312	(156,943,873)	209,982,439

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Building	74,790,743	287,575	-	(559,115)	(5,868,921)	-	68,650,282
Plant and machinery	965,560	-	19,999	(23,960)	(199,555)	(6,317)	755,727
Furniture and fixtures	658,044	166,601	29,528	-	(262,860)	(139,251)	432,062
Motor vehicles	1,122,277	-	-	-	(259,253)	-	863,024
Office equipment	1,632,272	-	881	(29,561)	(366,152)	(228)	1,217,212
IT equipment	433,209	175,199	-	-	(242,209)	(9,232)	356,967
Air Traffic Equipment and runway	38,204	-	-	-	(12,739)	-	25,465
Electric Equipment	3,995,665	400,000	61,759	(23,796)	(725,387)	(393,715)	3,314,526
Baggage handling equipment	158,602	-	21,215	(56,062)	(23,852)	(8,263)	91,640
Roads	126,187,863	-	559,115	-	(4,981,596)	-	121,765,382
	209,982,439	1,029,375	692,497	(692,494)	(12,982,524)	(557,006)	197,472,287

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Correction of prior error - Cost	Disposals	Correction of prior period error - Acc Dep	Depreciation	Impairment loss	Total
Building	82,142,870	326,540	(1,732,773)	-	-	(5,945,894)	-	74,790,743
Plant and machinery	1,366,508	-	-	(11,510)	47,192	(386,557)	(50,073)	965,560
Furniture and fixtures	790,877	122,950	-	(2,066)	5,468	(224,316)	(34,869)	658,044
Motor vehicles	2,014,174	-	-	(5,381)	-	(886,516)	-	1,122,277
Office equipment	278,952	-	1,732,773	(9,471)	(288,818)	(77,655)	(3,509)	1,632,272
IT equipment	874,169	-	-	(11,540)	(488)	(396,763)	(32,169)	433,209
Infrastructure	71,729	-	-	-	-	(33,525)	-	38,204
Electrical Equipments	5,242,808	-	-	(34,972)	(6,640)	(1,202,647)	(2,884)	3,995,865
Other property, plant and equipment	651,500	-	-	(99,995)	-	(390,690)	(2,213)	158,602
Roads	130,789,331	255,000	-	-	-	-	(4,856,468)	126,187,863
	224,222,918	704,490	-	(174,935)	(243,286)	(9,544,563)	(4,982,185)	209,982,439

Reconciliation of Work-in-Progress 2020

	Included within Buildings	Prior year adjustments	Included within Office Equipmen and road	Total
Opening balance	9,912,654	-	-	9,912,654
Additions/capital expenditure	-	-	287,575	287,575
Transferred to completed items	-	(1,732,773)	(559,115)	(2,291,888)
	9,912,654	(1,732,773)	(271,540)	7,908,341

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Buildings	Included within Equipment	Total
Opening balance	9,641,113	-	9,641,113
Additions/capital expenditure	-	271,541	271,541
	9,641,113	271,541	9,912,654

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	3,867,442	3,326,634
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Deemed cost

Impairment was applied to assets with a carrying amount of R583 264. The assets were impaired to nil due to the deterioration in their condition. Management are of the view that these assets are not in a usable condition. During the year, the entity has transferred RESA from the Work in progress to the roads upon the completion. In the 2018/19 financial year the entity was qualified due to the work in progress for the installation of the CCTV cameras at the Administration and terminal building, upon verification it was noted that not all cameras were installed verse's the claiming certificate and this is part of the Provincial Treasury forensic investigation which the report was delivered to GAAL in March 2020 and recommendation by the ACEO has been submitted to the Board together with the Shareholder for implementation. The amount of R 1 732 772 of the assets that could be physically verified were capitalized and the remaining amount will wait the outcome of the recommendation from the Shareholder and the Board. Therefore, the work in progress is overstated with R5 261 351.75.

5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	738,729	(674,523)	64,206	738,729	(648,591)	90,138

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	90,138	(25,932)	64,206

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	73,982	61,374	(45,218)	90,138

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6. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Opening balance	(185,301)	(220,909)
Service cost	(29,217)	(29,086)
Interest cost	(13,892)	(11,333)
Fair value gain	5,000	70,000
Fair value gain	62,590	6,027
	(160,820)	(185,301)
Non-current liabilities	(137,759)	(174,835)
Current liabilities	(23,061)	(10,466)
	(160,820)	(185,301)
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	(62,590)	(6,027)
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	10.60 %	7.71 %
Proportion of employees opting for early retirement	100.00 %	100.00 %
7. Receivables from exchange transactions		
Trade debtors	16,158,526	14,504,363
Employee costs in advance	294,817	301,317
Prepayments	39,258	3,500
Provision of doubtful bad debts	(12,574,982)	(9,602,146)
	3,917,619	5,207,034
8. VAT receivable		
VAT	1,738,649	23,793
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	939	1,505
Bank balances	358,611	7,995,911
Short-term deposits	54,569	-
Other cash and cash equivalents	51,804	5,340,575
	465,923	13,337,991
10. Share capital / contributed capital		
Issued		
Ordinary	12	12

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11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Unspent grants 2	5,191,842	11,231,232
Movement during the year		
Balance at the beginning of the year	11,231,232	-
Additions during the year	-	17,000,000
Income recognition during the year	(6,039,390)	(5,768,768)
	5,191,842	11,231,232
These amounts are invested in a ring-fenced investment until utilised.		
12. Payables from exchange transactions		
Trade payables	21,802,278	14,358,433
Payments received in advanced - contract in process	187,279	241,672
Salary control	693,238	961,611
Accrued leave pay	1,000,585	991,479
Accrued bonus	495,884	505,222
Accrued expense 1	4,861,078	3,262,585
Operating lease payables (if immaterial)	28,048	-
Deposits received	989,836	850,552
Other payables	60,225	27,154
	30,118,451	21,198,708
13. Revenue		
Rendering of services	8,059,149	9,202,487
Fees earned	1,881,381	1,317,954
Rental income	8,450,173	7,676,015
Interest received - investment	1,828,709	1,340,728
Government grants & subsidies	56,432,947	53,295,685
Deferred Grant income	1,819,965	2,613,077
	78,472,324	75,445,946
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	8,059,149	9,202,487
Fees earned	1,881,381	1,317,954
Rental income	8,450,173	7,676,015
Interest received - investment	1,828,709	1,340,728
	20,219,412	19,537,184
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	56,432,947	53,295,685
Deferred Grant income	1,819,965	2,613,077
	58,252,912	55,908,762

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Figures in Rand	2020	2019
14. Lease rentals on operating lease		
Lease rentals on operating lease		
Contractual amounts	324,089	132,011
15. Investment revenue		
Interest revenue		
Bank	672,974	270,435
Interest charged on trade and other receivables	1,155,735	1,070,293
	1,828,709	1,340,728
16. Government grants and subsidies		
Operating grants		
Equitable share	51,181,304	48,279,365
Capital grants		
Government grant (capital) 1	5,251,643	5,016,320
	56,432,947	53,295,685
17. Employee related costs		
Basic	25,386,190	23,169,676
Medical aid - company contributions	2,936,826	2,653,539
UIF	134,272	132,487
WCA	-	199,228
SDL	312,340	298,524
Leave pay provision charge	58,641	176,254
Bursary	119,579	514,127
Defined contribution plans	4,699,328	3,442,230
Travel, motor car, accommodation, subsistence and other allowances	3,934	74,942
Overtime payments	1,637,922	2,134,653
Long-service awards	29,217	29,086
13th Cheques	1,581,373	1,564,267
Acting allowances	975,395	264,638
Housing benefits and allowances	903,910	864,430
Arbitration law	-	80,970
Night allowance	66,859	22,689
Long-term benefits - incentive scheme	-	44,768
	38,845,786	35,666,508
Remuneration of non-executive directors		
Sitting fees	104,553	50,156
Retainer fees	-	648,935
	104,553	699,091
18. Administrative expenditure		
Administration and management fees - related party	-	2,038

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Figures in Rand	2020	2019
19. Impairment of assets		
Impairments		
Property, plant and equipment	580,966	71,332
20. Finance costs		
Bank	13,892	11,333
21. Debt impairment		
Debt impairment	2,973,336	9,276,351
22. General expenses		
Advertising	689,097	163,504
Auditors remuneration	3,043,463	1,868,162
Bank charges	123,309	84,243
Cleaning	1,215,285	1,180,941
Commission paid	254,660	42,475
Consulting and professional fees	6,739,987	4,718,256
Entertainment	67,995	163,007
Fines and penalties	538,802	10,789
Hire	-	27,825
Insurance	657,320	476,077
IT expenses	2,526,579	303,089
Medical expenses	6,026	19,470
Pest control	101	-
Fuel and oil	622,050	402,390
Placement fees	8,795	276,526
Postage and courier	-	19
Printing and stationery	59,039	191,225
Protective clothing	68,990	253,079
Repairs and maintenance	11,981,543	7,082,834
Research and development costs	222,300	-
Royalties and license fees	483,180	12,039
Security (Guarding of property)	4,186,569	3,841,161
Software expenses	29,827	-
Staff welfare	5,985	17,702
Subscriptions and membership fees	13,118	85,310
Telephone and fax	888,506	833,504
Transport and freight	63,680	95,520
Training	307,647	909,692
Travel - local	296,345	473,489
Electricity	6,512,681	908,660
Other expenses	103,504	203,095
	41,716,383	24,644,083
23. Cost of sales		
Sale of goods		
Cost of goods sold	678,154	-
24. Auditors' remuneration		
Fees	3,043,463	1,868,162

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Figures in Rand	2020	2019
25. Security services		
26. Cash (used in) generated from operations		
Deficit	(25,865,899)	(15,207,335)
Adjustments for:		
Depreciation and amortisation	12,984,493	14,737,453
Loss on sale of assets and liabilities	-	(8,144)
Fair value adjustments	-	(500,000)
Impairment loss	580,966	71,332
Debt impairment	2,973,336	-
Movements in operating lease assets and accruals	(850,660)	-
Movements in retirement benefit assets and liabilities	(24,481)	(35,608)
Movements in provisions	-	364,000
Other movements	856,400	-
Actuarial gain	(62,590)	(6,027)
Deferred income	(1,818,777)	(2,613,077)
Changes in working capital:		
Inventories	(97,062)	-
Receivables from exchange transactions	1,289,415	323,796
Consumer debtors	(2,973,336)	-
Prepayments	-	(364,000)
Payables from exchange transactions	8,919,748	5,112,117
VAT	(1,714,856)	(23,793)
Unspent conditional grants and receipts	(6,039,390)	11,231,232
	(11,842,693)	13,081,946

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27. Commitments

Authorised capital expenditure

Authorised operational expenditure

Already contracted for but not provided for

• Short term	5,146,892	10,596,510
• Long term	1,758,413	1,317,539
	6,905,305	11,914,049

Total operational commitments

Already contracted for but not provided for	6,905,305	11,914,049
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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 (expense)

Minimum lease payments due

- within one year	1,180,775	1,323,053
- in second to fifth year inclusive	1,124,692	2,365,691
	2,305,467	3,688,744

Operating lease payments represent rentals payable by the entity for certain of its x-ray and printing machine. Leases are negotiated for an average term of 2 - 3 years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	8,077,340	7,906,367
- in second to fifth year inclusive	18,704,204	21,376,206
	26,781,544	29,282,573

Operating lease receipts represent rentals receivable by the entity for the leasing our investment property. Lease agreements have lease terms from 1 to 5 years. There are no contingent rents receivable.

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28. Related parties

Relationships

Parent Department

National Dept of Public Works

Limpopo Dept of Transport

Board Members

Interim Board members

Members of key management

Limpopo Department of Transport

Right of use

Secondment of staff to assist in management at GAAL

TM Nkoana (Chairperson) - Resigned October 2019

BT Nkambule (Deputy Chairperson) - Resigned October 2019

PBJ Luthuli - Resigned October 2019

MB Teffo (Member) - Resigned October 2019

G Nthengwe (Member) - Resigned October 2019

DR Kharidzha (Member) - Resigned October 2019

LL Matsila (Member) - Resigned October 2019

P Ndlala (Shareholder's rep) - Resigned October 2019

N Molohe (Chairperson) Contract Expire 31 March 2020

N Kgwatalala (Member) Contract Expire 31 March 2020

P Semanya (Member) Contract Expire 31 March 2020

F Het'sani (Member) Contract Expire 31 March 2020

Mangena NJJ (Member) Contract Expire 31 March 2020

P Ndlala (Member) Contract Expire 31 March 2020

Makoko (Member) Contract Expire 31 March 2020

M Baloyi (CEO) Suspension since January 2020

TM Mathabatha (Chief Financial Officer) Resigned December 2019

NW Mathonsi (Senior Operations Manager)

Suspension since January 2020

Ramatlhakwe K Acting since January 2019 (Acting Senior Human Resources Manager)

MS Ledwaba (Company Secretary)

M Matli Dismissal February 2020 (Senior Human Resources Manager)

LN Maluleke (Acting Chief Financial Officer)

December 2019

T Maphiswani (Acting Chief Executive Officer)

February 2020

N Netshifhefhe (Acting Senior Operations Manager) March 2020

The entity is listed as a schedule 3D government business enterprise in terms of the Public Finance Management Act (Act 1 of 1999 as amended) and therefore falls within the national sphere of government. It is 100% controlled by its parent department which is the Limpopo Department of Transport. The related parties of GAAL consist mainly of government departments, as well as key management personnel of GAAL and close family members of related parties. GAAL receives grants from the Department of Transport for infrastructure development and operational costs. The entity c

Related party balances

Government grant

Department of Transport

53,151,000 67,380,000

Director's remuneration

Director's remuneration

280,841 627,195

Executive management

7,108,331 5,390,489

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28. Related parties (continued)

Key management information

Remuneration of management

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28. Related parties (continued)

Board members

2020

Name	Sitting Allowance	Other benefits received	Total
Nkoana MT (Chairperson)	20,200	22,215	42,415
Nkambule BT (Deputy Chairperson)	17,144	29,401	46,545
Kharidzha DR	12,763	26,929	39,692
Luthuli PBJ	-	19,254	19,254
Matsila LL	25,525	37,310	62,835
Nethengwe G	19,144	34,913	54,057
Teffo MB	-	16,043	16,043
	94,776	186,065	280,841

2019

Name	Sitting Allowance	Fees for services as a member of Board	Other benefits received	Total
Nkoana MT (Chairperson)	16,160	77,870	63,043	157,073
Nkambule BT (Deputy Chairperson)	34,287	66,090	36,360	136,737
Kharidzha DR	31,904	61,500	17,463	110,867
Luthuli PBJ	-	-	32,902	32,902
Matsila LL	12,760	61,500	-	74,260
Nethengwe G	35,095	61,500	10,042	106,637
Teffo MB	3,190	-	5,529	8,719
	133,396	328,460	165,339	627,195

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28. Related parties (continued)

Executive management

2020

	Basic salary	Other employee benefits	Total
Name			
M Baloyi (Chief Executive Officer) (Suspension January 2020)	1,462,653	165,760	1,628,413
TM Mathabatha (Chief Financial Officer) Resigned December 2019	813,126	87,671	900,797
Matli MD (Senior Human Resource) Dismissal February 2020	1,002,685	164,441	1,167,126
MS Ledwaba (Company Secretary)	1,030,271	177,954	1,208,225
Ramatlhakwe CK (Acting Senior Human Resource)	636,842	-	636,842
Maluleke LN (Acting Chief Financial Officer)	121,728	-	121,728
NW Mathonsi (Senior Operation Manager) (Suspension January 2020)	1,003,825	204,003	1,207,828
N Netshifhefhe (Acting Senior Operations Manager)	26,630	-	26,630
	6,097,760	799,829	6,897,589

2019

	Basic salary	Other employee benefits	Other benefits received	Total
Name				
M Baloyi (Chief Executive Officer)	461,961	55,170	2,968	520,099
TM Mathabatha (Chief Financial Officer)	1,048,335	123,638	10,544	1,182,517
Matli MD (Senior Human Resource)	998,178	175,146	8,467	1,181,791
MS Ledwaba (Company Secretary)	1,029,319	145,404	4,175	1,178,898
Ramatlhakwe CK (Acting Senior Human Resource)	104,018	-	-	104,018
NW Mathonsi (Senior Operation Manager)	1,025,489	176,245	21,432	1,223,166
	4,667,300	675,603	47,586	5,390,489

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29. Prior-year adjustments and errors

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:

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Current assets		21,709,159	4,390,739	26,099,898
Non current assets		257,415,863	(243,286)	257,172,577
Current liabilities		(37,897,475)	2,718,534	(35,178,941)
Non current liabilities		(17,675,739)	-	(17,675,739)
Accumulated surplus		(223,551,808)	(6,865,987)	(230,417,795)
		-	-	-

Statement of financial performance

2019

	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions		23,339,853	6,953,551	1,829
Expenditure		(90,686,586)	(84,206,233)	-
Contracted services		-	54,487,746	-
Surplus for the year		(67,346,733)	(22,764,936)	1,829

Errors

Retained income: The correction of R15 836 976.70 from retained earnings as a result of credit note issued to ATNS.

VAT: The credit note correction resulted in the VAT adjustments of R1 845 409.11.

Property, plant and equipments: The entity has corrected the error for not capitalizing the CCTV cameras that are working and can be verified. The CCTV Cameras were transferred from the WIP. Amount to R1 732 773.25 and depreciation of R288 819.28

There was a correction of uncorrected misstatement in the prior year amounting to R43 911.55

Expenditure and other payables: The entity has corrected the error for not capitalizing the CCTV cameras that are working and can be verified. Amount to R1 732 773.25 and depreciation of R288 819.28.

There was a reversal of the Board accommodation where the transaction was raised through a quotation and the chairperson did not use the accommodation amount to R2 313.04

The provision of bad debts has been corrected after the credit note were issued against the ATNS account for over billing as a results of NOTAMs being issued. R6 068 665.62.

There was an understatement of the insurance with the invoice that was submitted after the Financial statements were audited by the AGSA. Amounting to R5 267.12

There was a correction of an overstatement for prepaid expenses where the entity should have recognised as a commitment instead of prepaid expenses. Amounting to R 604 685.83

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29. Prior-year adjustments and errors (continued)

Revenue and trade and other receivables: The ATC billing and the interest earned on debtors has been corrected after the credit note were issued against the ATNS account for over billing as a results of NOTAMs being issued. R1 249 072.95 and R2 011 172.88 and landing fees. The credit note also affected the Provision for doubtful debt of R23 503 003.25 and receivables of R18

Impairment of debtors

Impairment for receivable as at 31 March 2019 were misstated by R6 300 589. the error was corrected by restating the opening balance

30. Risk management

Financial risk management

Liquidity risk

Liquidity risk is the risk that the organisation would not have sufficient funds available or may encounter difficulties in raising funds to meet its future commitments. This risk is regarded as low considering the Board's current funding structure and management of available cash resources.

The table below provides detail of the Board's remaining contractual maturity for its financial liabilities

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	1,818,777	3,637,554	10,912,662	107,435
Long service award	23,061	137,759	-	-
Trade and other payables	21,802,278	-	-	-
Staff accruals	1,496,469	-	-	-
At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	3,424,836	6,849,672	13,699,344	7,375,443
Long service award	10,466	174,835	-	-
Trade and other payables	14,345,060	-	-	-
Staff accrual	1,554,908	-	-	-

Credit risk

Credit risk refers to the risk that counter party will default on its contractual obligations resulting in financial loss to the entity. To mitigate credit risks, the Board has adopted a policy of only dealing with creditworthy parties. Management manages the credit risk relating to staff loans by deducting payments due by employees monthly from their salaries. Our main source of income is through aeronautical revenue and grants received from the Department of Transport.

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.

Financial assets, that potentially subject the entity to credit risk, consist principally of cash and cash equivalents and short term deposits. The entity's cash and cash equivalents and short term deposits are placed with high credit quality financial institution.

Financial instrument	2020	2019
Bank A	387,371	7,996,071
Bank B	51,804	5,340,575

The entity does not have guaranteed overdraft facilities.

Market risk

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30. Risk management (continued)

Market risk

This is the risk that the fair value or future cash flows from a financial instrument will fluctuate as a result of the changes in market prices. Values in financial instruments may change, thus resulting in both potential gains and losses. The entity's activities do not expose it to significant market risks. The entity's activities expose it primarily to the risk of fluctuations in interest rate.

Interest rate risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how surplus would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

Interest rate sensitivity analysis

The Board's major source of revenue is government grants and to a lesser extent, interest income depending on cash equivalents held. A major expense is on salaries which are fixed for a financial year. The basis points increases or decreases, as detailed in the table below, were determined by Management and represent Management's assessment of the reasonably possible change in interest rates. The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. As the entity does not have any instruments that affect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus.

A change in market interest rate at the reporting date would have increased / (decreased) the surplus for the year by amounts below:

Interest rate sensitivity analysis

Interest rate sensitivity

Discount rate

Increased by 1% p.a -4.2%	154,092	133,382
Reduced by 1% p.a +4.5%	168,130	(133,382)

Mortality rate

Rated down by 3 years +0.5%	161,675	-
Rated up by 3 years -0.7%	159,667	-

The entity reviews its foreign currency exposure, including commitments on an ongoing basis. The entity expects its foreign exchange contracts to hedge foreign exchange exposure.

Maximum exposure to credit risk

The Board's exposure to credit risk with regards to loans and receivables is limited due to the nature of the Board's operations, as explained above. Credit risk is fairly low in respect of staff loans as they are related to the entity.

There has been no significant change during the financial year, or since the end of the financial year, to the entity's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk.

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31. Going concern

We draw attention to the fact that at 31 March 2020, the entity had an accumulated profit of R 198,251,155 and that the entity's total assets exceed its liabilities by R 198,251,167.

The company has made a Net deficit for current year (R25 865 899) as at 31 March 2020.

The company current liabilities exceed current assets by R28 978 513 as at 31 March 2020.

The company had a negative net cash flow from operation of (R11 842 693)

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 a 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. Briefly, below are some of the factors that the directors considered to support going concern for period of twelve months ending March 2020.

The company receives annual grant allocation of R56.4 million to fund operational requirements for the budget period 2019/20. The grant allocation for 2020/21 is R54.7 million

- 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 2019/20 based on probability of each case.

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

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

32. Events after the reporting date

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

Adjusting events

The entity received a court order that CMO is claiming an amount of R1 150 875 for the unpaid invoices. The contingent liability will be adjusted.

The entity had Jet A1 fuel in the bowser before the COVID - 19, however during the lockdown it was noted that the fuel is containedment due to stay for long without being used. This resulted on the inventory write down of R 183 227.18. nature .

Non adjusting event

The entity has received the invoice's from the Polokwane Municipality and there was a reversal of the credit note that was issued to the GAAL water and electricity account. The entity is currently in discussion with the Pcolokwane municipality to resolve the disputes in the account since the entity was billed on the flat rate for National Public Works tariffs instead of the actual consumption.

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33. Contingent Liability		
Employee alleges unfair dismissal	300,000	300,000
Claims on disputed invoices	1,150,875	-
Dispute relating to fuel tender.	300,000	300,000
Unfair dismissal of the Acting CEO	319,000	319,000
Unfairly dismissal for a Board Member	10,300,000	10,535,199
The entity is sued for undue enrichment	4,550,000	4,550,000
Labour dispute regarding unfair dismissal	200,000	200,000
Civil claim against GAAL for services rendered	5,350,000	5,350,000
Interdict for tender appointment of fuel service provider	350,000	350,000
	22,819,875	21,904,199

As at 31 March 2020 the entity is in litigation in the high and labour courts. The entity is defending these matters. The total cost estimated by the Attorneys amounts to R21 904 199..

34. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	1,069,758	1,058,989
Current year	718,253	10,789
	1,788,011	1,069,758

Fruitless and wasteful expenditure comprises of:

SARS Penalty and interest - SARS has been engaged on reversing the interest since it was a system error.

Interest on the municipal invoices - the municipality has been engaged to reverse the interest and the entity is waiting for an outcome from the municipality

Fraudulent payment - Cyber investigators has been appointed and is currently busy with the investigation

Various Steps taken to recover the losses and measures put in place to prevent a re-occurrence in future.

Disciplinary measures were taken against officials relating to previous SARS fruitless and wasteful expenditures

35. Irregular expenditure

Opening balance	39,374,784	39,019,192
Add: Irregular Expenditure - current year	4,353,801	355,592
Closing balance	43,728,585	39,374,784

Irregular expenditure comprises of:

Actek _Additional Irregular expenditure are as a result from the contracts already identified as irregular in the prior year.

Procurement of fuel service without SCM process_Pula Nala Petroleum

Procurement of service without following SCM process_Mesong Fire &safety equipment

Procurement of service for Review and amendment of Aerodrome manuals without following SCM process_Tsa-Gaetsho Consultancy

Appointment of officials outside approved organizational structure.

The Limpopo Treasury forensic investigation was instituted to determine the liable officials and the remaining irregular expenditure is still under investigation.

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36. Principal relationship		
Entity acting as principal agent (NDPW)		
Opening	8,680,410	6,855,119
Addition	-	1,825,291
	8,680,410	8,680,410

The Minister of Public Works of the National Government of Republic of South Africa (the principal), has duly appointed Gateway Airport Authority Limited (the agent) with power of substitution to be the principal's agent and in the principal's name by means of an attorney and /or counsel to do any or all the following acts or things in respect of property on which the Polokwane International Airport is situated, including the terminal buildings, of which property the principal is the registered owner, and in respect of which the South African Civil Aviation Authority has duly licensed the agent to act as the airport authority.

The entity started to receive a billing from the Polokwane Municipality.

37. Agent relationship

Agent ATNS		
Opening	23,123,059	18,246,290
Additions	2,802,004	5,037,851
Payments	(4,835,758)	(883,711)
Rejection	(21,350)	-
Interest	503,495	722,629
Credit notes	(15,752,576)	-
	5,818,574	23,123,059

Gateway Airport Authority Limited (the principal), has duly appointed ATNS (the agent) with power of substitution to be the principal agent and in the principal's name by means of attorney and/or counsel to any of the following acts or things in respect of approaching 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 entity managed to engaged with SA AIRLINK with regard to the disputed billing and they agreed to pay R4 459 573.24 for the billing until 31 October 2018 and the credit note was R15 752 576. The entity reversed the interest charged to SA Airlink since there was an agreement with the entity that the remaining amount will be paid once the Condition of Use agreement is signed. The COU agreement has been drafted and signed by the ACEO and awaiting for the SA Airlink to sign the document. There was also a reversal with regard to the Provision of bad debts.

38. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the financial statements.

Licences renewal, plumbing services, trainings, court review, and flight reservations etc amounting to R784,920 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the CEO who considered them and subsequently approved the deviation from the normal supply chain management regulations.

39. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10% is considered significant.

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39. Budget differences (continued)

Services rendered

Due to covid 19 and poor performance of flight movements

Interest Income

Variance due to credit notes issued to long outstanding debtors

Deferred grant

Decrease is due to review of useful lives

Contact Details

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