



GAAL

GATEWAY AIRPORTS AUTHORITY LIMITED

• GATEWAY TO THE REST OF AFRICA •

2022/2023 ANNUAL REPORT



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PART A:

GENERAL INFORMATION

1. PUBLIC ENTITY GENERAL INFORMATION

REGISTERED NAME:	Gateway Airports Authority (SOC) Limited
REGISTRATION NUMBER:	1995/002792/06
REGISTERED OFFICE ADDRESS:	N1 North to Makhado Gateway Drive, Polokwane, 0700
POSTAL ADDRESS	P.O BOX 1309 POLOKWANE 0699
TELEPHONE NUMBERS:	015 288 0122
WEBSITE ADDRESS:	www.gaal.co.za
EXTERNAL AUDITORS:	Auditor General of South Africa
BANKERS:	ABSA BANK LIMITED
BOARD SECRETARY	Mr P Khumalo (Acted from April 2022 to September 2022)

2. LIST OF ABBREVIATIONS/ ACRONYMS

AGSA	Auditor General of South Africa
BBBEE	Broad Based Black Economic Empowerment
CEO:	Chief Executive Officer of GAAL
CFO:	Chief Financial Officer
Civil Aviation Act:	Civil Aviation Act 13 of 2009
GAAL:	Gateway Airports Authority (SOC) Ltd, a Limpopo Provincial Entity as per Schedule 3 Part D of the PFMA; and registered as a company in terms of the Companies Act
GRAP	General Recognised Accounting Principles
IA	Internal Audit
LDTCS:	Limpopo Department of Transport and Community Safety
MEC:	Member of the Executive Council
MOI:	Memorandum of Incorporation of GAAL
PFMA:	Public Finance Management Act, Act 1 of 1999
PIA	Polokwane International Airport
PIDS	Perimeter Intruder Detection System
SACAA:	South African Civil Aviation Authority Act 40 of 98 (now the Civil Aviation Act)
SADC	Southern African Development Community
SCM:	Supply Chain Management
URR:	Universal Regulatory Register

3. FOREWORD BY EXECUTIVE AUTHORITY



HONOURABLE FLORENCE RADZILANI

MEMBER OF EXECUTIVE COUNCIL: TRANSPORT AND COMMUNITY SAFETY

This Annual Report is tabled during an era where the global economy, specifically the aviation industry, is starting to show strong signs of recovery from the impact of the Covid-19 pandemic. It is encouraging to note that the recent investments made by this government in sustaining the entity of Gateway Airport Authority Limited (GAAL) were made in opportune time to take advantage of the economic recoveries in the aviation space.

The investments made in appointing a capable Board in April 2021, as well as increasing oversight over GAAL has enabled the entity to record much needed improvements in operational and financial sustainability. This is a notable development which enables GAAL to deliver on its mandate and to support the Department of Transport and Community Safety Public (DTCS) in realizing its objectives. This government remains resolute on re-establishing this entity as an efficient partner of choice in the aviation asset management fraternity, within the Limpopo Province.

The 2022/23 financial year has been marked by several positive developments for GAAL, triggered by the appointment of an ethical, skilled Board of Directors. The new Board comprises skills and competencies in fields ranging from Aviation management, business administration, financial management, corporate governance, and local government management. Since its appointment, the Board has systematically identified the root causes behind the declining performance of the entity. Within a short space of time, the Board, supported by the Shareholder, has implemented the corrective actions that have yielded recurring improvement in the operational and financial performance of the entity. Underpinned by the continued sustenance of the airport operating license category that has not been downgraded since April 2021, GAAL's improved performance also encompassed improved audit outcomes as well as growth in passenger and flight numbers, translating into an increase in the generation of aeronautical revenues. The green shoots of improved performance signify a great achievement in the two (2) years that the Board has been at the helm and provides the confidence and trust in the entity by a broad spectrum of key stakeholders, especially the residents of the Limpopo province.

The return of GAAL to its position of prominence is by no means a sprint, but rather an arduous journey that the Shareholder and Board remain committed to. Despite the combined resolve to optimize on quick sustainable wins in turning the entity around, the longer-term challenge of the entity remains its funding model that has significant reliance on the grant-funding support from the Shareholder. The Board's implementation of the short to medium term steps of the multi-phased turnaround plan is well underway, with notable achievements. These achievements give assurance that in the medium to long-term, the funding solutions will be secured that will deliver the turnaround plan to its envisaged completion.

As we continue our quest to deliver safer, reliable and high quality transport services in the province, the ever improving performance of the entity will contribute immensely towards the integrated transport network in the province, providing opportunities to reduce traffic volumes on our congested roads. A performing GAAL, will further contribute immensely to the economic growth and development in the province and into the SADC region as a whole.

In conclusion, I would like to thank GAAL's Board of Directors, Executive Management and employees at large for their committed work towards re-establishing the entity to a position of prominence. I trust that in the next financial years, the entity will continue to go from strength to strength as it delivers on its mandate to the residents of the province.



HONOURABLE FLORENCE RADZILANI

MEMBER OF EXECUTIVE COUNCIL: TRANSPORT AND COMMUNITY SAFETY

4. FOREWORD BY BOARD CHAIRPERSON



Mr V Xaba

Board Chairperson

It is an honour and a privilege for me to present the Annual Report of GAAL for the 2022/23 financial year on behalf of the Board of Directors. This financial year marks the second year in our tenure as the Board, mandated with the responsibility to ensure absolute accountability as we drive continual improvement in GAAL, for the benefit of the residents of the Limpopo province.

The 2022/23 financial year has had its fair share of impediments however, dissimilar to prior years, this year has been marked by significant improvements across various aspects in the entity. The improvements recorded are testament to the resonant alignment between the Shareholder, the Board and the management team as we quest for the envisaged turnaround of the entity. The interventions and sustained actions by the trio continues to drive an elevation in the efficacy with which the entity continues to manage aviation assets, most specifically, the Polokwane International Airport (PIA).

When the current Board took office, it found the entity in a state where its short-term sustainability was uncertain. Starting with the downgrading of PIA's operating license from category 7 down to category 2 due to major non-compliances to aviation safety regulations, diminished revenue generation, an adverse audit outcome, vacancies in critical technical and finance positions as well as at senior management level. These challenges had led to a continual decline in the trust and confidence in the entity by key stakeholders.

It is pleasing to report that, the 2022/23 financial year ended with the entity having a more positive outlook when compared to the recent past. The joint efforts and investments made, predominantly in the 2022/23 financial year, delivered the following improvements.

- Appointment of ethical and skilled personnel in Senior Management positions in Finance and Operations;
- Sustained the airport operating license at category 7 through focused investments in recruiting critical technical skills and maintenance of critical infrastructure;
- Improved financial performance relative to budget when compared to prior year;
- An improved audit outcome when compared to the two (2) years prior;
- An increase in own revenue generation in excess of 170% when compared to prior year, driven by the increase passenger and flight numbers as a result of the sustained license category;
- The establishment of the Commercial Services function in the entity, aimed at capacitating and resourcing the Business Development and Marketing activities in the entity. This is aimed at commencing the ground work towards expanding the business model of GAAL, generating revenues that will realize independence from the

Shareholder grant funding. This will, in the long-term, maximize GAAL's contribution towards economic growth and development in the province.

The Board is unrelentingly committed towards steering this entity on a flight path to scenic destinations unseen by the employees of GAAL and the residents of the province. Although the journey is not short, the few miles that have been covered in the journey thus far have yielded promising results and have built confidence within the entity and within the key stakeholder environment.

The Board remains resolute on re-establishing GAAL to its position of prominence, as a catalyst for economic development in the province, a partner of choice for aviation asset management and an enabler for SADC regional connectivity and integration.

With an efficiently managed PIA, the province is geared to benefit from imminent mega opportunities such as the establishment of a logistics hub and the decongestion of air traffic at the main airport hubs. Of paramount importance, is the Board's drive towards the full Implementation of the turnaround plan with the support of the Shareholder, the prevention of the recurrence of airport license downgrades as well as enhancing internal controls to achieve clean audit status in the near term.

I wish to thank the Honourable MEC Florence Radzilani for her exceptional leadership and support as the Shareholder representative.

By extension, I also wish to express appreciation to my fellow Board Members and their respective committees, the management team and every employee of GAAL who continue to step up to the challenges that get laid before them as we drive this entity on a journey of continual improvement.

A handwritten signature in black ink, consisting of a series of loops and a long, sweeping stroke extending upwards and to the right.

Mr V Xaba

Board Chairperson: GAAL

5. OVERVIEW BY CHIEF EXECUTIVE OFFICER



Acting Chief Executive Officer: Ms M Matli

This Annual Report is a reflection of GAAL's performance against targets set for the 2022/23 Financial Year, with its achievements and challenges. The year under review was transformative for GAAL, and several milestones were reached in the entity's journey of renewal.

Corporate Governance

The Board set sights on stabilising the Entity as part of its mandate to turn GAAL around. Among management's first significant turnaround initiatives at the Board's behest was identifying the root causes of bottlenecks in the Entity's performance and non-compliances. This included addressing litigation cases and resolving issues related to projects that have taken a long time to reach final stage. As a result of these interventions, litigation cases and a number of problematic projects reduced significantly, leading to renewed client confidence in the GAAL.

Building a high-performance culture partially depends on the calibre of personnel the organisation attracts into its ranks. In this regard, the Entity set out to reverse the capacity gaps created by the departure of critical staff in prior financial years. During the reporting period the Entity filled Senior Management, Finance and critical Compliance positions with skilled and qualified employees that would assist to address GAAL's long standing challenges. The Board is currently focused on appointment of the CEO and Commercial Services staff.

General Corporate Performance

GAAL's performance shows remarkable improvements on achievement of targets as set out in the APP, particularly on Programme 3: Operations, which is the core function that determines the retainment of the Category 7 Aerodrome License. The Entity focused its resources on addressing SACAA findings to ensure compliance and to proactively put measures in place to ensure safe and secure airport operations. Infrastructure maintenance was at the top of the list and Airfield Ground Lighting and critical navigation equipment are fully serviceable. Although there is a steady increase in flight movement, the numbers have not yet returned to a remarkable number, and this has a negative impact on revenue. There has also been an increase in passenger movement, which resulted in introduction of a third flight between Polokwane and Johannesburg from Monday to Friday in March 2023.

Financial Performance

The Entity achieved 92% of its own revenue targets, which accounts for a smaller percentage of the annual revenue as majority of the revenue is funded by government grant. The Board has put together a turnaround plan which focuses on revenue generating projects. The plan is being presented at relevant structures for approval. The turnaround plan is anchored on a value proposition that seeks to turn GAAL into a responsive, agile, customer-centred organisation, with better stakeholder management, quick turnaround times, improved financial management to generate more business for the entity. During the reporting period, the entity made notable strides in Business Development and the projects will be implemented in the next financial year.

Audit outcomes

GAAL maintained a Qualified Audit Opinion for 2022/2023. During the reporting period, the entity developed an audit action plan to address findings from the previous financial year and to prevent recurrence. A notable outcome of these efforts shows in the comparison of the past three (3) years where the Entity moved from a Disclaimer with eight (8) matters of emphasis, to a Qualified Audit opinion with three (3) matters of emphasis and this year GAAL received a Qualified Audit Opinion with only one (1) matter of emphasis. Going forward we will work tirelessly to obtain a Clean Audit opinion.

I would like to express my sincere gratitude to our employees for their hard work and their integral commitment. I further salute the Executive and Management team for their leadership and for soaring along during these challenges and for celebrating even the smallest achievements. To all our stakeholders, you are our community, our home. I would also express words of gratitude to the Board of Directors for their undivided guidance and encouragement. Finally, to our Shareholder, MEC Florence Radzilani for the ongoing support and guidance in ensuring GAAL delivers on its mandate.



Ms M Matli

Acting Chief Executive Officer: GAAL

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

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

- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor General.
- The Annual Report is complete, accurate and free from any omissions.
- The Annual Report has been prepared in accordance with the Guidelines on Annual Reporting issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with GRAP.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made 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 2023.

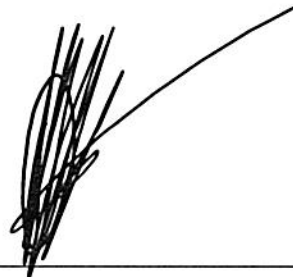
Yours Sincerely



Ms M Matli

Acting Chief Executive Officer

Date 30/08/2023



Mr V Xaba

Board Chairperson: GAAL

Date: 2023/08/30

7. STRATEGIC OVERVIEW

6.1 Vision

To lead growth of the aviation industry in Limpopo.

6.2 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.

6.3 Values

Passionate

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

Integrity

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

Agility

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

Commitment

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

Results

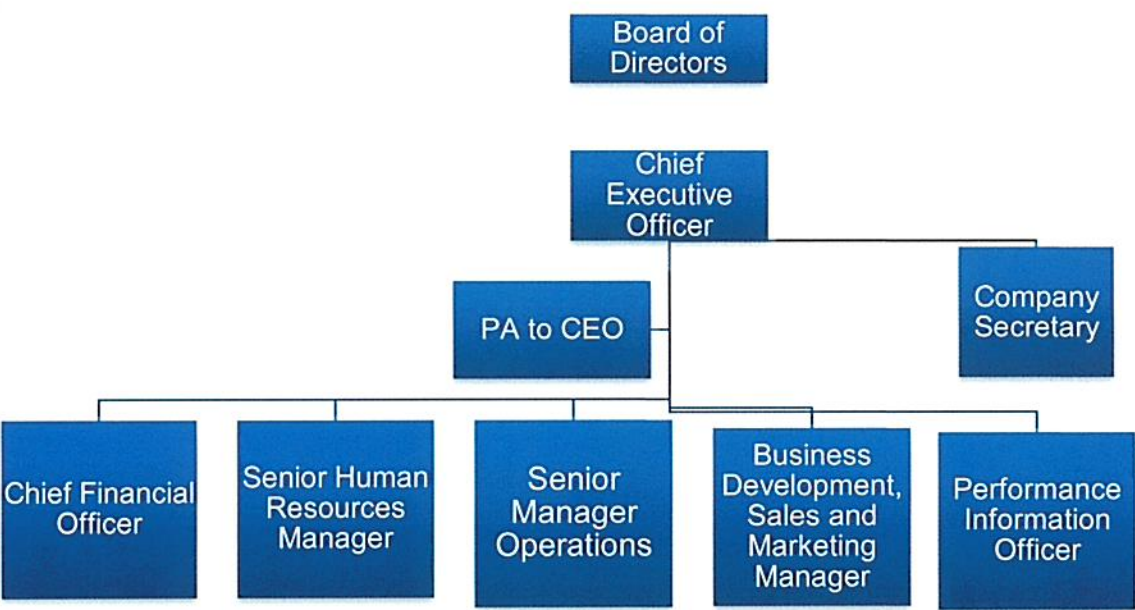
Providing innovative all-round service delivery to the stakeholders' needs and positive experience.

8. LEGISLATIVE AND OTHER MANDATES

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

- Public Finance Management Act No. 1 of 1999, as amended by Act 29 of 1999 and Treasury Regulations
- Companies Act no 78 of 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 Report on Corporate Governance
- Framework for Strategic performance plan and annual performance plan (Issued by National Treasury 2009)
- Framework for managing Performance Information (Issued by National Treasury 2009)
- Memorandum of Association

9. ORGANISATIONAL STRUCTURE



PART B:

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA (auditor) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to the Auditors Report, published as Part F: Financial Information

2. OVERVIEW OF PERFORMANCE

2.1 Service Delivery Environment

GAAL is a public entity which is mandated to manage Polokwane International and other airports entrusted to Limpopo Provincial Government. The airport is strategically located and provides a gateway to the rest continent especially Zimbabwe, Botswana, and Mozambique which borders the Limpopo Province. As a result, it provides business, tourism and leisure travellers ease of access to the Limpopo province through its capital city. Polokwane International Airport has sufficient facilities, such as hangars, adequate aerodrome infrastructure and rental facilities for both the air traveller and investors alike. Beyond serving the needs of both the business and leisure travellers, Polokwane International Airport has the potential to enable the province's strategy of establishing Polokwane as the Logistics hub of the province. Its current infrastructure is currently not fully utilised and still open and inviting more business activities.

The sustainability of Polokwane International airport will be derived from a combination of; effective and efficient utilization of resources, optimum use of state assets (aeronautical and non-aeronautical) for increased revenue generation, as well as attracting investment funding for operational and capital growth, and where required, shareholder support. This suite of initiatives will, in the medium to long-term, reduce the dependence on shareholder grant funding.

Although the entity receives a grant from the Department of Transport and Community Safety and has strong leadership support, it has the potential to function efficiently on its own.

Below, is the history of aircraft and passenger movement over the past five years.

2.2 Organisational Environment

PIA, which is the main focus and business of GAAL, has recently recovered from an airport downgrade by maintaining category 7 aerodrome license for over 18 months. Furthermore, GAAL has steadily/progressively recovered from, leadership instability and insufficient technical skills, and has appointed senior managers and recently out in the market to search for a candidate to fill the CEO position. Whilst the filling of positions has taken place, the challenge faced by the entity is to retain and or remunerate officials with critical skills in line with the aviation/airport market. The personnel employed have contributed to the stabilisation of the Entity as well as put the necessary controls in place. Above that, the Board and Management of GAAL have drafted a Turnaround Strategy to move the Entity towards financial stability.

2.3 Key policy developments and legislative changes

GAAL did not have any policy developments and there have not been any legislative changes.

2.4 Progress towards achievement of institutional impacts and outcomes

In order to move towards financial stability, GAAL was propelled to drafting a Turnaround Strategy. The Turnaround Strategy is subdivided into four pillars, which are outlined below:

Phase 1: Arrest the decline.

Phases 2: Stabilise operational performance.

Phase 3: Improve financial and operating performance as well as brand positioning.

Phase 4: Expand the operating model of GAAL.

GAAL has commenced to show achievement in the phases above. The Board has appointed an ethical, experienced and skilled Senior Management; thereafter, the Management has closed gaps in order to ensure the maintenance of the Category 7 airport license. In this manner, GAAL has and continues to arrest the decline.

3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

3.1 PROGRAMME 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.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

Programme / Sub-programme								
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021 R'000	Audited Actual Performance 2021/2022 R'000	Planned Annual Target 2022/2023 R'000	**Actual Achievement 2022/2023 R'000	Deviation from planned target to Actual Achievement 2022/2023 R'000	Reasons for deviations R'000
Competitive International Airport	Increase in Revenue generation	Amount of revenue collected	R6 535	R10 577	R11 917	R11 048	R869	Decreased flight movement in the festive season and lower interest billed to debtors due to improved debt collection
	HR development plan implemented	Number of development and Training Programmes implemented	-	4	9	9	None	None
		Number of compliance training implemented	-	-	12	15	3	Compliance Training prioritised to ensure retainment of the Category 7 Aerodrome license

3.2 PROGRAMME 2: BUSINESS DEVELOPMENT

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

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

Programme / Sub-programme:								
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	**Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Competitive International Airport	Increased Aircraft movement	Number of Aircraft movement recorded	152	200	8000	2 827	5 173	Infrastructure unserviceability
	Increased amount of Revenue	Number of units leased	-	19	8	4	4	Limited capacity in the Business Development Division
		Number of stakeholder	-	-	4	9	5	Increased stakeholder meetings to

		engagement events						improve management of customer accounts and services offered at PIA
		Number of brand activation initiatives	-	-	4	5	1	Increased initiatives to maximise brand activation

3.3 PROGRAMME 3: OPERATIONS

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

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

The entity achieved 50% of its performance indicators (3 out of 6) in Programme 3. The 3 indicators which were not achieved are the "number of months that category 7 is sustained", "the number of aerodrome equipment calibrated as well as "the perimeter intruder detection system installed". The reasons for non-achievement of these indicators are reflected in Table 3.3.1. In respect of the Perimeter Intruder Detection System installation, the entity considered the level of investment required for the installation of the system and took a decision to engage the SACAA to request exemption from installing the system until the level of airport business activity has improved. Although the entity achieved 50% on the overall Programme 3, it has achieved 150% on maintenance of aerodrome equipment and 400% on maintenance of infrastructure. The overachievement was as a result of addressing the lag in maintenance of key infrastructure and equipment in previous years.

For the Operations programme, the entity has challenges in prioritizing women, youth, and persons with disabilities in its service delivery environment, due to the lack of specialist technical expertise in these previously disadvantage groups, which is in the main work being undertake in airport infrastructure maintenance. The entity will use the opportunity presented by the new supply chain management regulations which provides for an opportunity to state in its SCM policy its objectives in prioritizing women, youth, and persons with disabilities in this programme. The entity will further specifically prioritize development of women and youth in filling technical positions within airport operations environment as well as putting a plan in place to procure aerodrome operations technical services from the designated groups.

The non-achievement of the installation of the perimeter intruder detection system was due to insufficient financial resource at the disposal of the entity. The entity had R2.5 million allocation of funding from the fiscus against an investment requirement of R34 million required. As a result, the entity made a submission to the South African Civil Aviation Authority to request an exemption from compliance with the requirements of a full PIDS system and to instead install an alternative system until such time the business activity has improved, from where different funding model will be considered.

Strategy to overcome areas of underperformance.

Programme / Sub-programme:								
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	**Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 20YY/20ZZ	Reasons for deviations
Safe air transport environment	Retaining of Category 7 Airport Licence	Number of months that Category 7 is sustained	12	6	12	7	5	One major fire truck was unserviceable
	Develop infrastructure assessment plan	Annual Development and review of the plan	1	1	1	1	None	None
	Implement Infrastructure Maintenance plan	Number of Aerodrome Equipment calibrated	-	-	7	6	1	Delays in finalizing appointment of service provider
		Number of aerodrome equipment units maintained	-	2	16	24	8	Additional fire equipment were maintained.
		Number of aerodrome infrastructure maintained	-	-	2	8	6	Runway maintenance done to close SACAA findings
		Perimeter Intruder Detection System installed	-	-	1	0	1	The funding allocated to the project was insufficient

The entity did not maintain the Category 7 airport operations as planned as planned due to one major truck which was unserviceable and eventually withdrawn from operation. The entity has appointed a service provider to service, repair and maintain the two major trucks, which will ensure that there is always a fallback truck available in case there is breakdown of one of the major trucks. Funding for the maintenance and repair of the fire trucks has been obtained through a grant in the quarter 3 of the 2022/23 financial. The entity has addressed the tax compliance issue for the service provider for the calibration of the equipment and it is expected that no further delays in executing the calibration of equipment will occur.

4. LINKING PERFORMANCE WITH BUDGETS

	2021/2022			2022/ 2023		
Programme	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	33 067	23 686	9 381	34 015	29 694	4 321
Business Development	3 607	1 609	1 998	2 884	2 202	682
Operations	41 235	32 057	9 178	44 849	40 047	4 802

5. REVENUE COLLECTION

	2021/22			2022/23		
SOURCES OF REVENUE	BUDGET	ACTUAL AMOUNT COLLECTED	OVER/(UNDER) COLLECTION	BUDGET	ACTUAL AMOUNT COLLECTED	OVER/(UNDER) COLLECTION
Aeronautical	3 991	2 886	(1 105)	5 817	6 223	406
Non – Aeronautical	6 148	5 250	(898)	6 100	4 825	1 275
Total	10 139	8 136	(2 003)	11 917	11 048	(869)

6. CAPITAL INVESTMENT

There had been no investment capital in the year under review

PART C:

GOVERNANCE

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on 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. PORTFOLIO COMMITTEES

There was one (1) meeting for the financial year which was held on the 26 October 2022.

3. 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:

- 3.1. Providing Strategic direction of the Company.
- 3.2. Providing effective leadership based on ethical foundation.
- 3.3. Approval of business plans.
- 3.4. Setting performance criteria before commencement of the financial year.
- 3.5. Evaluating actual performance against performance targets.
- 3.6. Ensure preparation and approval of Annual Financial Statements.
- 3.7. Develop clear levels of materiality.
- 3.8. The review and management of risk.
- 3.9. Appraisal of the performance of the Chairperson.
- 3.10 Communication with the Shareholder.
- 3.11 To act as the focal point for and custodian of the GAAL corporate governance.
- 3.12 To ensure that GAAL complies with applicable laws, rules, codes and regulations.
- 3.13 To ensure the effectiveness of GAAL's internal controls.
- 3.14 To consider business rescue proceedings or other turnaround mechanisms as soon as GAAL is financially distressed.
- 3.15 To ensure effective IT governance.

a) Board Charter

The Board charter regulates its relationship between with the shareholder as its sole member and the entity in the interest of good corporate governance and good ethics. The protocol is premised on the principles of the King Code. The charter sets out the composition and powers of the Board.

b) Composition Of the Board

NAME	DESIGNATION	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIP	NO. OF MEETINGS ATTENDED
Mr V Xaba	Chairperson	April 2021	N. Diploma: Chemical Engineering Dip: Project Management Dip: Advanced Project Management B. Tech: Quality Statistical Process Control Finance – Non-Financial Managers	Aviation, Operations and Business Development	GAAL	3
Ms S Phayane	Member	April 2021	BSc: Civil Engineering Masters: Engineering in Transport Studies	Transport	GAAL	3
Dr N Mashau	Member	April 2021	B. Com Economics B. Com (HONS) Economics Advanced Senior Management Development Programme	Finance	GAAL	2
Mr E Ramutanda	Member	April 2021	Trade Certificate: Aircraft Mechanic Nat Tech Dip: Mechanical Eng Bachelor of Business Admin B. Com (HONS): Transport Economics	Aviation	GAAL	3
Mr Mangena	Member	April 2021	B Admin B Admin (HONS): Industrial Psychology	Human Resources	GAAL	3
The following Board Members resigned before the year ended						
Ms Z Tshabalala	Member	April 2021	B.COM Post Grad in Business admin Masters: Business Admin	Internal Audit, Risk and Compliance Management Corporate Governance Finance	GAAL	1
Ms M Gololo	Member	April 2021	B.COM: Accounting Intermediate Cert in Accounting Cert: Theory of Accounting B.COM (HONS) Chartered Accountancy (CA, SA)	Finance		1
Mr H Murovhi	Member	April 2021	B. Proc Degree Practical Legal Training Dop: Corporate Law Higher Dip: Tax Law ICSA (CIS) Programme in Compliance Management Masters: Public and Development Management LLB	Law		1

c) COMMITTEES OF THE BOARD

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

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
NOMINATIONS COMMITTEE	2	3	Xaba DV Mashau NL Mangena JJN
BUSINESS OPPORTUNITIES OPERATIONS COMMITTEE	4	3	Ramatunda E Mashau NL Phayane S
REMUNERATION, HUMAN RESOURCE, SOCIAL AND ETHICS COMMITTEE	4	3	Ramatunda E Mangena JJN Phayane S

d) REMUNERATION OF THE BOARD

NAME	REMUNERATION	OTHER ALLOWANCE	OTHER RE-IMBURSEMENTS	TOTAL
Xaba DV	119,250	51,236	9,707	180,194
Phayane S	94,183	45,187	0	139,370
Ramatunda E	0	0	13,206	13,206
Mashau NL	0	0	0	0
Mangena JJN	0	0	0	0

4. RISK MANAGEMENT

In carrying out Enterprise Risk Management, GAAL is using the risk management policy and the risk management strategy, which were last reviewed and approved by the 23 March 2021.

The Risk management strategy was implemented to ensure that all risks are properly managed to improve internal control and governance.

The Entity conducted a regular risk assessment to determine the effectiveness of its risk management strategy and to identify new and emerging risks on a quarterly basis.

The Entity had established a Risk Management Committee and appointed an independent chairperson in October 2022 to assist with the overall system of risk management, especially the mitigation of unacceptable levels of risk. The Risk Management Committee had two meetings during the financial year.

The Entity had 12 Strategic risks and progress on the management of risks to improve its performance however there are challenges on the fully implementation of the risk mitigation measures. The Entity had developed new mitigation measures to address the problem.

The Risks mitigation measures was fully implemented on the following:

Filing of vacant positions at senior Management level, compliance, and finance positions.

Compliance with regulatory requirements (SACAA) by conducting internal self-test and filling of vacant positions (Electrician, Chief quality officer, Chief Security Officer, Chief Safety Officer, and Maintenance Officer).

5. INTERNAL CONTROL UNIT

- The Internal control unit is combined with Risk Management unit, the work performed by internal control unit relate to following:
 - Development of Audit action plan,
 - Monitoring of Audit action plan
 - Reporting and investigations of unwanted expenditures
 - Coordination of internal and external audit work.

6. INTERNAL AUDIT

The primary objective of IAA is to assist the Chief Executive Officer and the Board Audit and Risk Committee in the effective discharge of their responsibilities; Internal Audit will provide them with independent analysis, appraisals, recommendations, counsel and information concerning the activities reviewed, with a view to improving accountability and service delivery.

6.1 The Internal Audit Activity has the responsibility to:

- Implement the Annual Internal Audit Plan for the first year of the Strategic Rolling Three Year Internal Audit Plan, as approved, including as appropriate any special tasks or projects requested by the Audit Committee and Board. The terms of reference for those assignments, which may involve some measure of line responsibility.
- Provide professional internal audit staff with sufficient knowledge, skills, experience to meet the requirements of this Charter.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion. The terms of reference for those assignments, which may involve some measure of line responsibility, will however be agreed upon beforehand.
- Issue periodic reports to the AC and Chief Executive Officer summarising results of audit activities.
- Keep the AC and the Chief Executive Officer informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the AC.
- Assist in the investigation of significant suspected fraudulent activities within the organisation, and notify management and the AC of the results. The terms of reference for those assignments, which may involve some measure of line responsibility, will however be agreed upon beforehand.
- Consider the scope of the work performed by the external auditors and any other third party, as appropriate, for the purpose of providing optimal combined audit coverage to GAAL at a reasonable overall cost.
- Prepare plans indicating the proposed scope of each audit in the Annual Internal Audit Plan.
- Establish policies and procedures to guide the IAA and direct its administrative functions.
- Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this charter;
- Establish a Quality Assurance & Improvement Program by which the Engagement Director assures the operation of internal auditing activities;
- Prepare a quarterly report to BARC detailing its performance against the Annual Internal Audit Plan, to allow effective monitoring and possible intervention.

6.2 Summary of audit work done

- Human Resource Review (Completed)

6.3 Key objectives of the internal Audit and Audit Committee

The key objectives of the internal Audit are to ensure that all the activities of GAAL are subject to independent and objective review.

The Audit committee has a charter with clear reference as guided by governance principles.

7. COMPLIANCE WITH LAWS AND REGULATIONS

The Universal Regulatory Register (URR) and the PFMA Circular Register are the two primary compliance management tools which are key pillars that bring to life what the Compliance Management Framework articulates. The Universal Regulatory Register (URR) is made up of applicable legislation and regulations. The URR is split in three broad compliance management sections, which are the following: Compliance Universe, Compliance Risk Register and Compliance Assessment Report. The URR reflects a total of 41 Legislations / Regulations with a corresponding 302 compliance obligations identified, the overall URR compliance is 99%.

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 2022/23 financial year, the Entity investigated an allegation of bribery, and the consequence management was implemented. There are no complaints received during the period from the hotline.

In 2022/23 financial year, the Entity investigated an allegation of bribery which was reported to management to service provider and the consequence management was implemented.

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. CODE OF CONDUCT

Through its code of conduct, the GAAL is committed to:

- The highest standards of integrity and behaviour in all its dealings with its stakeholders and society at large.
- Fair commercial and competitive business practices.
- Eliminating discrimination and enabling employees to realise their potential through continuous training and skills development.
- Taking environmental and social issues into consideration.

- Ensuring that all directors declare any direct or indirect personal or business interest that might adversely affect them in the proper performance of their stewardship of the entity.

The code requires all staff to act with the utmost integrity and objectivity and in compliance with the law and company policies at all times. Failure to act in terms of the code results in disciplinary action. The code is discussed with each new employee as part of the induction process, and all employees are asked to sign an annual declaration confirming their compliance with the code. A copy of the code is available to interested parties on request. Non-adherence to the code of ethics-related matters can be reported to a toll-free, anonymous hotline. Any breach of the code is considered a serious offence and is dealt with accordingly, which serves as a deterrent. The directors believe that ethical standards are being met and are fully supported by the ethics programme.

11. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The development and effective implementation of the risk-based Safety Management System (SMS) by GAAL is critical for the improvement of GAAL's operational safety and security performance. The SMS provides a framework for employees, supervisors, managers at every level, passengers, other interfacing operators and contractors to follow the GAAL chosen pathway towards the "safety culture" and mindset across the organisation.

The 10 key elements of the SMS centre around:

- Structures/policies/procedures
- Human factors management
- Contractor management
- Safety standards for engineering and operational systems
- Safety interface management
- Audits and compliance assessments
- Risk management
- Preventative actions
- Occurrence management
- Corrective Actions.

GAAL has allocated time and resources to ensure that the employees, including supervisors and managers across all the levels within GAAL, are trained on the aspects of the SMS and have a thorough understanding of their roles and responsibilities as far as safety is concerned.

12. COMPANY /BOARD SECRETARY

The primary function of the Company Secretary is to act as the link between the Board and management and to facilitate good relationships with the shareholder. The Company Secretary is responsible for the general administration, more specifically to ensure compliance with good corporate governance practices and to provide guidance to the directors on corporate governance principles and applicable legislation. All directors have access to the advice and services of the company secretary who acts as the link between management, the Board and the shareholder.

The company secretary is responsible for the flow of information to the Board and its committees and ensures

compliance with Board procedures. In addition to various statutory functions, the company secretary provides individual directors and the Board as a whole with guidance on their duties, responsibilities and powers, as well as the impact of legislative and regulatory developments, while maintaining an arms-length relationship with the Board.

The Board has empowered the company secretary with the responsibility of advising the Board, through the chairperson, on all governance matters, including the duties set out in section 88 of the Companies Act.

The Company Secretary's work covers a wide variety of functions, including but not limited to.

- Organizing, preparing agendas, and taking minutes of meetings.
- Dealing with correspondence, collating information, writing reports, ensuring decisions made are communicated to the relevant people.
- Advising the Board and management on corporate governance matters.
- Contributing to meeting discussions, as and when required; and
- Arranging the annual general meetings.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the public entity.

The following internal audit work was completed during the year under review:

- Human Resource
- Revenue

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority.

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity.

Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.



V Xaba

Board Chairperson : GAAL



PART D:

HUMAN RESOURCES MANAGEMENT

1. INTRODUCTION

The strategic purpose of the Human Resource (HR) Department is to partner with other divisions to provide support on matters relating to human capital, with the aim to maximise efficiency and embed the culture of high performance. The main objective is to ensure that organisation's workforce is capable of delivering on the organisational strategy and meeting future staffing needs.

The HR focus for the year under review was to fill vacant positions with skilled, capable workforce at Senior Management level. The Senior Management team in turn was responsible for filling the next level of vacancies with specific focus on compliance positions and building capacity in the finance division. This had a positive impact on the Entity as it assisted to close AG audit and SACAA findings, putting processes in place, segregation of duty and to address other long outstanding issues that affecting the Entity negatively. In addition to these achievements, the recruitment drive further enabled the Entity to achieve Employment Equity goals by employing two females at Middle Management.

Management reviewed the Performance Management Policy and conducted roadshow to re-educate employees on the process and importance of managing performance. HR policies are also under review in order to keep abreast with updates and changes in various labour legislations and new market trends.

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

The Entity faced the following challenges:

- Leadership instability.
- High vacancy rate.
- Skills development plans were not implemented due to reprioritisation of compliance training.
- Uncompetitive remuneration and benefits due to budgetary constraints.

Future plans for HR are to conduct skills and qualification audit for skills development purposes, implement salary grading and develop market related salary bands, develop a staff retention strategy, succession planning. The Entity further plans to participate in the Provincial strategy of increasing females at Senior Management level and in employment of youth through development programmes.

2. HUMAN RESOURCES OVERSIGHT STATISTICS

2.1 Personnel related expenditure

PROGRAMME	PERSONNEL EXPENDITURE	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Administration	10 992 525	33%	20	6 21 484
Business Development	2 189 700	7%	4	547 425
Operations	20 078 024	60%	46	436 478
TOTAL	33 260 249	100%	70	475 146

2.2 Levels

LEVEL	PERSONNEL EXPENDITURE	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top Management	-	-	-	-
Senior Management	3 494 578	11%	4	873 645
Professionally Qualified	6 407 741	19%	10	640 774
Skilled	9 940 651	30%	22	451 848
Semi-Skilled	13 168 890	40%	33	399 057
Unskilled	248 388	1%	1	248 388
TOTAL	33 260 249	100%	70	4756

3. EMPLOYMENT AND VACANCIES

PROGRAMME	VACANCIES	APPOINTMENTS	TERMINATIONS
Administration	9	4	1
Business Development	1	-	1
Operations	9	8	4
Total	19	12	6

4. REASONS FOR EMPLOYEES LEAVING

REASON	NUMBER	PERCENTAGE
Resignation	4	66%
Retirement	1	17%
Dismissal	0	0%
Death	1	17%
Total	6	100%

5. LABOUR RELATIONS, MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal warning	0
Written Warning	1
Final Written Warning	3
Dismissal	0
Precautionary suspension	1
Punitive suspension	0
Number of pending disciplinary hearing	0
Total	5

6. EMPLOYMENT EQUITY STATUS

LEVEL	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
Professionally Qualified	10	0	0	0	10
Skilled	22	0	0	0	22
Semi-Skilled	32	0	0	1	33
Unskilled	1	0	0	0	1
Total	65	0	0	1	66

We Are Aviation



PART E:

PFMA COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1 Irregular expenditure

a) Reconciliation of irregular expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	50,589	49,045
Add: Irregular expenditure confirmed	557	1,544
Less: Irregular expenditure condoned	380	0
Less: Irregular expenditure not condoned and removed	0	0
Less: Irregular expenditure recoverable	0	0
Less: Irregular expenditure not recovered and written off	0	0
Closing balance	50 766	50 589

Reconciliation notes

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure that was under assessment in 2021/22	1, 364	0
Irregular expenditure that relates to 2021/22 and identified in 2022/23	1,720	6 964
Irregular expenditure for the current year	557	999
Total	3, 641	7, 964

b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure under assessment	0	1,364
Irregular expenditure under determination	6,109	6,109
Irregular expenditure under investigation	3, 396	6, 734
Total	9, 505	14, 207

c) Details of current and previous year irregular expenditure condoned

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure condoned	380	0
Total	380	0

d) Details of current and previous year irregular expenditure removed - (not condoned)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	0	0
Total	0	0

e) Details of current and previous year irregular expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure recovered	0	0
Total	0	0

1.2 Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	8,886	8,130
Add: Fruitless and wasteful expenditure confirmed	219	756
Less: Fruitless and wasteful expenditure written off	56	0
Less: Fruitless and wasteful expenditure recoverable	0	0
Closing balance	9,049	8,886

Reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2021/22	575	0

Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23	974	7,356
Fruitless and wasteful expenditure for the current year	219	756
Total	1,768	8,112

b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure under assessment	575	0
Fruitless and wasteful expenditure under determination	181	237
Fruitless and wasteful expenditure under investigation	6,067	6,067
Total	6,823	6,304

c) Details of current and previous year irregular expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure recovered	56	0
Total	56	0

d) Details of current and previous year irregular expenditure not recovered and written off

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure written off	56	0
Total	56	0

1.3 Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii))

a) Details of current and previous year material losses through criminal conduct

Material losses through criminal conduct	2022/2023	2021/2022
	R'000	R'000
Theft	0	0
Other material losses		
Less: Recovered		
Less: Not recovered and written off		
Total	0	0

PART F:

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 xx to xx, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Gateway Airport Authority SOC Limited as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for qualified opinion

Cash flow statement

3. I was unable to obtain sufficient appropriate audit evidence that cash flows from operating activities for the current and previous financial years were properly accounted for, due to the status of the accounting records. I was unable to confirm whether the cash flows for interest received were accurately presented as it was not presented separately from the trade and other receivables. Consequently, I was unable to determine whether any adjustment was necessary to the cash flow from operations stated at R4 213 004 (2022: R9 382 772) in the financial statements.
4. Cash received from grants was incorrectly calculated as the amount excludes VAT, which constitutes a departure from GRAP 2, *Statement of Cash Flows*. Consequently, cash received from grants was understated by R 4 175 494 in the financial statements.
5. Cash paid to suppliers was incorrectly calculated as the amount excludes VAT, which constitutes a departure from GRAP 2, *Statement of Cash Flows*. Consequently, cash paid to suppliers was understated by R3 963 033 in the financial statements.

Context for opinion

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

Emphasis of matters

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

Restatement of corresponding figures

10. As disclosed in note 28 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2023.

Material provision for debt impairment

11. As disclosed in note 10 to the financial statements, the entity made a provision for debt impairment for debtors from exchange transactions of R33 920 782 (2022: R32 359 539), due to inadequate collection practises.

An uncertainty relating to the future outcome of litigation

12. With reference to note 31 to the financial statements, the entity is the defendant in various lawsuits amounting to R20 068 000 (2022: R23 119 875). The entity is opposing these claims as it believes that it has reasonable grounds to successfully defend these claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Other matters

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

Unaudited supplementary schedules

14. 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.

Unaudited irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure)

15. On 23 December 2022 National Treasury issued *Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23* in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure). Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in either the annual report or the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 37 and 38 to the financial statements. Furthermore, the movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the entity. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now included as part of other information in the annual report of the entity. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the board of directors for the financial statements

16. The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and the Companies Act; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
17. 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.

Responsibilities of the auditor-general for the audit of the financial statements

18. 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.
19. 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

20. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
21. I selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measure the entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Programme	Page numbers	Purpose
Operations	XX	To focus on the operations and infrastructure management at Polokwane International Airport. The sub-programmes include airside operations and landside operations.

22. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
23. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

24. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

25. The material findings on the performance information of the selected programme are as follows:

Programme 3: Operations implement infrastructure maintenance plan

Number of aerodrome equipment calibrated

26. An achievement of six was reported against a target of seven however, the audit evidence showed the actual achievement to be seven. Consequently, the underachievement on the target was more than reported.

Number of aerodrome equipment units maintained

27. An achievement of 24 was reported against a target of 16 but the audit evidence showed the actual achievement to be 526. The achievement against the target was much higher than reported.

Number of aerodrome infrastructure maintained

28. An achievement of eight was reported against a target of two but the audit evidence showed the actual achievement to be seven. The target was achieved.

Other matter

29. I draw attention to the matter below.

Achievement of planned targets

30. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

31. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of operations. Management did not correct the misstatements and I reported material findings in this regard.

Report on compliance with legislation
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32. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The board of directors is responsible for the entity's compliance with legislation.

33. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa

(AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

34. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
35. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual report

36. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.
37. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55 (1)(b) of the PFMA. Material misstatements of property, plant and equipment, expenditure, provision for doubtful debts 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.

Revenue management

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

Expenditure management

39. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R557 208 as disclosed in note 38 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with preferential procurement regulations.
40. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R220 918, as disclosed in note 37 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by late filling of VAT returns.
41. Prepayments were made before services were received, in contravention of treasury regulation 31.1.2(c).

Other information in the annual report
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42. The board of directors is responsible for the other information included in the annual report, which includes the directors' report. The other information referred to does not include the

financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

43. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
44. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
45. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

46. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
47. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
48. The accounting authority did not ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.
49. The accounting authority did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively. The accounting authority did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
50. The accounting authority did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls. Senior management did not review and monitor compliance with applicable laws and regulations.
51. Senior management did not implement controls over daily and monthly processing and reconciling of transactions.
52. Senior management did not review and monitor compliance with applicable laws and regulations.

53. Senior management did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

Auditor-General

Polokwane

18 August 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 selected requirements in key legislation.

Financial statements

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.
- conclude on the appropriateness of the 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 entity 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 an 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

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.

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	Sections
Preferential Procurement Regulations of 2022 (PPR)	Regulations
Companies Act 2008	Sections
Civil Aviation act, 2009 (act no.13 of 2009)	Regulations
Civil Aviation Regulations 2011	Regulations

Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The company is engaged in the provision and maintenance of services and infrastructure of the Polokwane International Airport and operates principally South Africa.
Registered office	N1 North to Makhado Polokwane 0699
Bankers	ABSA Bank
Auditors	Auditor General South Africa Registered Auditors
Company secretary	Advocate S Sebola (Appointed 01 May 2023)
Preparer	The annual financial statements were internally compiled.
Published	18 August 2023

Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

Index

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

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MEC	Member of the Executive Council

Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

Accounting Authority's Responsibilities and Approval

The Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the annual 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 annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The Board acknowledges that it is 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 Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or fraud 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 Board is 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or fraud.

The Board has reviewed the entity's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the Board is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the Board on 15 August 2023 and were signed on its behalf by:

Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

Accounting Authority's Report

The Board submit its report for the year ended 31 March 2023.

1. Incorporation

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

2. Review of activities

Main business and operations

The entity is engaged in the company is engaged in the provision and maintenance of services and infrastructure of the polokwane international airport and operates principally south africa. and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of 279 446 386 and that the entity's total liabilities exceed its assets by 279 446 398.

The annual 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 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.

4. Subsequent events

The Board is not aware of any matter or circumstance arising since the end of the financial year.

5. Company secretary

The company secretary of the entity is Advocate S Sebola (Appointed 01 May 2023) of:

6. Taxation

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

7. Share capital/contributed capital

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

8. Audit and Risk Committee

The entity did not have an Audit and Risk Committee at the end of the current financial year as all the members of the Audit and Risk Committee resigned in the financial year ended 31 March 2022. Consequently, there is no Audit and Risk Committee report included in the Annual Financial Statements.

Annual Financial Statements for the year ended 31 March 2023

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.

Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Position as at 31 March 2023

Figures in Rand	Notes	2023	2022 Restated*
Assets			
Current Assets			
Operating lease asset	6	568 484	697 493
Receivables from exchange transactions	11	8 323 168	4 173 569
Prepayments	10	966 524	367 199
Cash and cash equivalents	12	3 601 505	10 869 500
		13 459 681	16 107 761
Non-Current Assets			
Investment property	3	42 900 000	43 888 001
Property, plant and equipment	4	244 869 473	259 380 505
Intangible assets	5	349 640	512 803
		288 119 113	303 781 309
Total Assets		301 578 794	319 889 070
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	12 903 896	19 395 303
VAT payable	8	1 415 507	3 025 070
Unspent conditional grants and receipts	14	7 572 083	5 072 083
Bank overdraft	12	-	568 202
		21 891 486	28 060 658
Non-Current Liabilities			
Employee benefit obligation	9	240 910	238 205
		22 132 396	28 298 863
Total Liabilities		22 132 396	28 298 863
Net Assets		279 446 398	291 590 207
Share capital / contributed capital	13	12	12
Accumulated surplus		279 446 386	291 590 193
Total Net Assets		279 446 398	291 590 205

* See Note 33

Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Performance

Figures in Rand	Notes	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	15	6 223 400	2 976 081
Fees earned		-	6 526
Rental income	15	4 825 052	5 005 263
Interest received	18	3 848 695	2 134 400
Fair value adjustments	29	-	8 603 546
Actuarial gains	17	34 038	-
Total revenue from exchange transactions		14 931 185	18 725 816
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	19	63 155 506	62 609 686
Deferred grant income		-	431 129
Total revenue from non-exchange transactions		63 155 506	63 040 815
Total revenue	15	78 086 691	81 766 631
Expenditure			
Employee related costs	20	(33 942 021)	(30 923 280)
Depreciation and amortisation	22	(12 223 514)	(12 350 983)
Impairment loss	23	(4 936 906)	(2 921 374)
Finance costs	24	(220 918)	(755 376)
Lease rentals on operating lease	16	(276 840)	(181 746)
Debt Impairment	25	(138 576)	(2 748 702)
Contracted services	21	(4 866 572)	(5 698 032)
Loss on disposal of assets		-	(330 783)
Fair value adjustments	29	(988 001)	-
Actuarial losses	17	-	(134 733)
General Expenses	26	(32 637 152)	(22 198 691)
Total expenditure		(90 230 500)	(78 243 700)
(Deficit) surplus for the year		(12 143 809)	3 522 931

* See Note 33

Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	12	222 470 707	222 470 719
Adjustments			
Correction of errors 33	-	65 596 555	65 596 555
Balance at 01 April 2021 as restated*	12	288 067 262	288 067 274
Changes in net assets			
Surplus for the year as previously reported	-	7 566 722	7 566 722
Correction of errors 33	-	(4 043 791)	(4 043 791)
Restated surplus for the year	-	3 522 931	3 522 931
Restated* Balance at 01 April 2022	12	291 590 195	291 590 207
Changes in net assets			
Surplus for the year	-	(12 143 809)	(12 143 809)
Total changes	-	(12 143 809)	(12 143 809)
Balance at 31 March 2023	12	279 446 386	279 446 398
Note(s)	13		

* See Note 33

Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		10 392 393	7 607 078
Grants		65 655 506	62 609 698
Interest income - bank		379 625	186 882
		76 427 524	70 403 658
Payments			
Employee costs		(34 443 804)	(30 816 128)
Suppliers		(43 237 782)	(29 641 881)
Finance costs		(124 935)	(562 877)
VAT paid	28	(2 834 007)	-
		(80 640 528)	(61 020 886)
Net cash flows from operating activities	27	(4 213 004)	9 382 772
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(2 486 789)	(2 824 827)
Proceeds from sale of property, plant and equipment	4	-	87 564
Purchase of other intangible assets	5	-	(2 159 683)
Net cash flows from investing activities		(2 486 789)	(4 896 946)
Net increase/(decrease) in cash and cash equivalents		(6 699 793)	4 485 826
Cash and cash equivalents at the beginning of the year		10 301 298	5 815 472
Cash and cash equivalents at the end of the year	12	3 601 505	10 301 298

The accounting policies on pages 11 to 24 and the notes on pages 25 to 48 form an integral part of the annual financial statements.

* See Note 33

Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

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
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Rendering of services	5 817 000	-	5 817 000	6 223 400	406 400	39
Rental income	5 500 000	-	5 500 000	4 825 052	(674 948)	39
Interest received	600 000	-	600 000	3 848 695	3 248 695	39
Total revenue from exchange transactions	11 917 000	-	11 917 000	14 897 147	2 980 147	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	67 331 000	2 500 000	69 831 000	63 155 506	(6 675 494)	39
Total revenue	79 248 000	2 500 000	81 748 000	78 052 653	(3 695 347)	

Expenditure

Personnel	(38 400 000)	-	(38 400 000)	(33 942 021)	4 457 979	39
Depreciation and amortisation	-	-	-	(12 223 514)	(12 223 514)	
Impairment loss	-	-	-	(4 936 906)	(4 936 906)	
Finance costs	-	-	-	(220 918)	(220 918)	
Lease rentals on operating lease	-	-	-	(276 840)	(276 840)	
Debt Impairment	-	-	-	(138 576)	(138 576)	
Contracted Services	(5 784 000)	-	(5 784 000)	(4 866 572)	917 428	39
General Expenses	(35 064 000)	(2 500 000)	(37 564 000)	(32 637 152)	4 926 848	39
Total expenditure	(79 248 000)	(2 500 000)	(81 748 000)	(89 242 499)	(7 494 499)	
Operating deficit	-	-	-	(11 189 846)	(11 189 846)	
Fair value adjustments	-	-	-	(988 001)	(988 001)	
Actuarial gains	-	-	-	34 038	34 038	
	-	-	-	(953 963)	(953 963)	

Deficit before taxation

	-	-	-	(12 143 809)	(12 143 809)	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement

	-	-	-	(12 143 809)	(12 143 809)	
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Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

Figures in Rand	Notes	2023	2022
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1. Significant accounting policies

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

1.1 Basis of preparations

The annual 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 annual 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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

These annual 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.

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual 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 annual 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.

1.6 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:

Gateway Airports Authority SOC Limited (GAAL)

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Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.6 Investment property (continued)

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

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

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.

1.7 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.

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.

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.

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

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

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

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

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

Gateway Airports Authority SOC Limited (GAAL)

Trading as Gateway Airports Authority Limited (SOC)

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.7 Property, plant and equipment (continued)

Leased infrastructure	Straight-line	3-50
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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.

1.8 Intangible assets

An intangible asset is recognised when:

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

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

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

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

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

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

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

Gateway Airports Authority SOC Limited (GAAL)

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Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.9 Financial instruments

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

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

Initial recognition and measurement

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

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

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

Fair value methods and assumptions

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

The effective interest rate method

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

Non - derivative financial instrument

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

Amortized cost

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

Measurement

Initial measurement

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

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

Financial Assets

Financial assets are classified into the following categories:

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1.9 Financial instruments (continued)

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

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

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

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

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

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

* Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

* It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

* It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

Cash and Cash Equivalents:

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

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1.9 Financial instruments (continued)

prepared on the basis of the direct method.

1.10 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

1.11 Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.12 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).

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:

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1.12 Impairment of cash-generating assets (continued)

[Specify judgements made]

1.13 Share capital / contributed capital

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

1.14 Employee benefits

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

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.

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1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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

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

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

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

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

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

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

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

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

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

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

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

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

- any resulting change in the present value of the defined benefit obligation; and

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Accounting Policies

1.14 Employee benefits (continued)

- any resulting change in the fair value of the plan assets.

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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1.15 Provisions and contingencies (continued)

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.16 Commitments

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.

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

Measurement

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

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.

Interest, royalties and dividends

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

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

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

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Accounting Policies

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.

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

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

Recognition

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

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

Measurement

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

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

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

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

1.19 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).

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1.20 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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 an expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

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

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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 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 amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributable 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 Budget information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Apr 2022 to 31 Mar 2023.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

1.26 Events after reporting date

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

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

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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 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Not expected to have a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Not expected to have a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Not expected to have a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Not expected to have a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Not expected to have a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Not expected to have a material impact

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3. Investment property

	2023		2022	
	Valuation	Carrying value	Valuation	Carrying value
Investment property	42 900 000	-	43 888 001	-

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	43 888 001	(988 001)	42 900 000

Reconciliation of investment property - 2022

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	34 580 177	704 278	8 603 546	43 888 001

Investment property in the process of being constructed or developed

The entity has two investment properties that are currently being developed (Aircraft Museum and Car home rental). The aircraft museum has been fully impaired in the current financial year. These properties are fully disclosed in note 4 to the financial statements under Work in Progress.

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3. Investment property (continued)

Investment property

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

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

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

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4. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Buildings	115 622 013	(48 365 066)	67 256 947	115 502 012	(43 091 449)	72 410 563
Plant and machinery	4 030 545	(2 508 219)	1 522 326	3 531 429	(2 184 631)	1 346 798
Furniture and fixtures	4 833 495	(3 720 270)	1 113 225	4 833 495	(3 404 271)	1 429 224
Motor vehicles	14 832 257	(11 418 137)	3 414 120	14 805 582	(10 877 054)	3 928 528
Office equipment	3 603 858	(2 290 827)	1 313 031	3 582 628	(1 796 192)	1 786 436
IT equipment	4 461 921	(2 698 967)	1 762 954	4 151 511	(2 095 332)	2 056 179
Air traffic equipment	19 218 105	(12 260 041)	6 958 064	17 708 748	(8 860 728)	8 848 020
Electrical equipment	18 288 057	(12 534 776)	5 753 281	18 288 057	(11 639 255)	6 648 802
Baggage and trolley	2 808 629	(2 211 201)	597 428	2 809 194	(2 063 819)	745 375
Roads	180 348 081	(25 169 984)	155 178 097	180 348 081	(20 167 501)	160 180 580
Total	368 046 961	(123 177 488)	244 869 473	365 560 737	(106 180 232)	259 380 505

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4. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	72 410 563	120 000	(3 758 811)	(1 514 805)	67 256 947
Plant and machinery	1 346 798	499 116	(181 696)	(141 892)	1 522 326
Furniture and fixtures	1 429 224	-	(183 357)	(132 642)	1 113 225
Motor vehicles	3 928 528	26 675	(541 083)	-	3 414 120
Office equipment	1 786 436	21 230	(444 628)	(50 007)	1 313 031
IT equipment	2 056 179	310 410	(454 315)	(149 320)	1 762 954
Air traffic equipment	8 848 020	1 509 358	(576 124)	(2 823 190)	6 958 064
Electrical equipment	6 648 802	-	(773 390)	(122 131)	5 753 281
Baggage and trolley	745 375	-	(144 467)	(2 915)	597 428
Roads	160 180 580	-	(5 002 493)	-	155 178 097
	259 380 505	2 486 789	(12 060 364)	(4 936 902)	244 869 473

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Reclassification ns	Transfers	Depreciation	Impairment loss	Total
Buildings	76 220 863	848 260	-	-	(704 277)	(3 741 781)	(212 502)	72 410 563
Plant and machinery	1 670 941	132 162	-	-	-	(211 420)	(244 885)	1 346 798
Furniture and fixtures	1 612 581	-	-	-	-	(183 357)	-	1 429 224
Motor vehicles	6 416 011	969 520	(330 783)	-	-	(729 058)	(2 397 162)	3 928 528
Office equipment	2 221 510	45 580	-	-	-	(480 654)	-	1 786 436
IT equipment	766 814	-	-	1 315 909	-	(20 029)	(6 515)	2 056 179
Air traffic equipment	8 996 726	431 117	-	-	-	(576 241)	(3 582)	8 848 020
Electrical equipment	7 467 348	-	-	-	-	(778 410)	(40 136)	6 648 802
Baggage and trolley	889 842	-	-	-	-	(144 467)	-	745 375
Roads	164 766 611	398 188	-	-	-	(4 984 219)	-	160 180 580
	271 029 247	2 824 827	(330 783)	1 315 909	(704 277)	(11 849 636)	(2 904 782)	259 380 505

Assets subject to finance lease (Net carrying amount)

Leased infrastructure	155 178 097	160 180 580
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Reconciliation of Work-in-Progress 2023

	Opening balance	Additions	Impairment	Total
Car home rental	1 466 330	-	(1 191 329)	275 001
Aircraft museum	323 477	-	(323 477)	-
Air traffic equipment	-	1 509 357	-	1 509 357
Wendy house	-	24 000	-	24 000
	1 789 807	1 533 357	(1 514 806)	1 808 358

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Opening balance	Impairment	Total
Car home rental	1 547 793	(81 463)	1 466 330
Aircraft museum	341 448	(17 971)	323 477
	1 889 241	(99 434)	1 789 807

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	5 346 889	1 840 774
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5. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment	Carrying value
Computer software	1 520 179	(1 170 539)	349 640	1 520 179	(1 007 376)	512 803

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	512 803	(163 163)	349 640

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Reclassification	Amortisation	Impairment loss	Total
Computer software	186 965	2 159 683	ns (1 315 909)	(501 344)	(16 592)	512 803

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6. Operating lease asset

Current assets	568 484	697 493
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Gaal leases its office space and hangars to tenants. The lease arrangement is operating lease as defined by GRAP 13. The future minimum lease receipts are disclosed below:

Within 1 year	2 417 931	8 127 503
Between 2 - 5 years	3 088 918	12 047 853
Over 5 years	-	701 914
	5 506 849	20 877 270

7. Payables from exchange transactions

Trade payables	8 765 383	11 827 960
Sundry payables	288 484	192 499
Salary control	151 999	724 571
Accrued leave pay	829 341	793 640
Accrued bonus	497 208	464 825
Accrued expenses	1 627 049	4 667 497
Operating lease payables	124 796	91 554
Deposits received	220 818	281 054
Retentions	145 051	145 051
Receivables with credit balances	253 767	206 652
	12 903 896	19 395 303

8. VAT payable

VAT payable	1 415 507	3 025 070
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9. Employee benefit obligations

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

Carrying value		
Opening balance	(238 205)	(156 364)
Current service costs	(21 522)	(24 050)
Interest costs	(23 221)	(11 058)
Actuarial gains/(loss)	34 038	(134 733)
Actual benefits paid	8 000	88 000
	(240 910)	(238 205)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(34 038)	134 733
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,01 %	9,01 %
Proportion of employees opting for early retirement	90,22 %	90,22 %

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10. Prepayments		
Insurance prepayment	685 374	367 199
Purchase of property, plant and equipment	281 150	-
	966 524	367 199
11. Receivables from exchange transactions		
Trade debtors	39 900 118	36 102 441
Provision for doubtful debts	(32 498 115)	(32 359 539)
Staff debtors	294 812	294 812
Sundry debtors	231 135	330
Unallocated receipts	60 223	60 223
Payables with debit balances	334 995	75 302
	8 323 168	4 173 569
Trade debtors ageing		
Current (0 - 30 days)	(483 313)	2 404 444
31 to 60 days	555 222	1 161 753
61 to 90 days	457 203	810 466
91 to 120 days	881 800	750 540
Above 120 days	38 489 206	30 975 238
	39 900 118	36 102 441
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2 001	1 253
Bank balances	3 538 647	10 809 806
Short-term deposits	60 857	58 441
Bank overdraft	-	(568 202)
	3 601 505	10 301 298
Current assets	3 601 505	10 869 500
Current liabilities	-	(568 202)
	3 601 505	10 301 298
13. Share capital / contributed capital		
Issued		
Ordinary	12	12

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14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Opening balance	5 072 083	5 503 200
Additions	2 500 000	-
Utilised during the year	-	(431 117)
	7 572 083	5 072 083

The conditional grant relates to money received from Provincial Treasury for special projects.

15. Revenue

Rendering of services	6 223 400	2 976 081
Fees earned	-	6 526
Rental income	4 825 052	5 005 263
Interest received - investment	3 848 695	2 134 400
Government grants & subsidies	63 155 506	62 609 686
Deferred grant income	-	431 129
	78 052 653	73 163 085

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	6 223 400	2 976 081
Fees earned	-	6 526
Rental income	4 825 052	5 005 263
Interest received - investment	3 848 695	2 134 400
	14 897 147	10 122 270

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Government grants & subsidies	63 155 506	62 609 686
Deferred grant income	-	431 129
	63 155 506	63 040 815

16. Lease rentals on operating lease

Lease rentals on operating lease

Contractual amounts	276 840	181 746
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17. Actuarial gain

Actuarial gain/(loss)	34 038	(134 733)
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18. Investment revenue

Interest revenue

Bank	379 626	186 882
Interest charged on trade and other receivables	3 469 069	1 947 518
	3 848 695	2 134 400

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19. Government grants & subsidies

Operating grants

Equitable share	63 155 506	62 609 686
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20. Employee related costs

Basic	21 794 632	20 319 150
Medical aid - company contributions	3 101 090	3 026 012
UIF	132 219	133 208
WCA	192 908	501
SDL	293 839	254 470
Leave pay provision charge	52 096	(178 787)
Defined contribution plans	3 079 640	2 669 460
Travel, motor car, accommodation, subsistence and other allowances	20 903	-
Overtime payments	2 159 381	1 959 770
Long-service awards	10 705	169 841
13th Cheques	1 527 343	1 277 958
Acting allowances	781 657	404 504
Housing benefits and allowances	780 030	798 255
Night allowance	15 578	78 438
Long-term benefits - incentive scheme	-	10 500
	33 942 021	30 923 280

21. Contracted services

Contracted services	4 866 572	5 698 032
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22. Depreciation and amortisation

Property, plant and equipment	12 060 352	11 849 640
Intangible assets	163 162	501 343
	12 223 514	12 350 983

23. Impairment loss

Impairments

Property, plant and equipment	4 936 906	2 904 782
Intangible assets	-	16 592
	4 936 906	2 921 374

24. Finance costs

Trade and other payables	79 132	152 614
SARS	141 786	602 762
	220 918	755 376

25. Debt impairment

Contributions to debt impairment provision	138 576	2 748 702
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26. General expenses

	2023	2022
Advertising	80 563	80 972
Auditors remuneration	2 995 181	2 173 552
Bank charges	85 359	54 118
Cleaning	1 247 338	1 251 539
Commission paid	101 824	207 074
Consulting and professional fees	1 864 558	2 171 578
Entertainment	94 442	85 532
Fines and penalties	90 306	106 280
Hire	1 622	-
Insurance	1 134 114	401 686
IT expenses	1 448 809	768 778
Medical expenses	5 201	37 673
Fuel and oil	795 267	625 230
Placement fees	122 292	61 194
Postage and courier	-	321
Printing and stationery	128 410	302 637
Protective clothing	718 130	-
Repairs and maintenance	7 430 292	4 535 665
Royalties and license fees	126 238	96 771
Security expenses	9 382 192	4 424 298
Software expenses	11 571	39 145
Staff welfare	3 006	2 096
Subscriptions and membership fees	64 184	30 842
Telephone and fax	546 106	1 020 586
Training	643 588	148 415
Travel - local	235 736	208 101
Electricity	2 095 487	1 752 441
CCMA settlement	1 126 808	1 550 689
Other expenses	58 528	61 478
	32 637 152	22 198 691

27. Cash (used in) generated from operations

(Deficit) surplus	(12 143 809)	3 522 931
Adjustments for:		
Depreciation and amortisation	12 223 514	12 350 983
Loss on sale of assets	-	330 783
Fair value adjustments	988 001	(8 603 546)
Impairment loss	4 936 906	2 921 374
Debt impairment	138 576	2 748 702
Movements in operating lease assets and accruals	129 009	12 212
Movements in retirement benefit assets and liabilities	2 705	81 841
Other non-cash items	564	(409 122)
Changes in working capital:		
Receivables from exchange transactions	(4 149 599)	408 181
Debt impairment added back	(138 576)	(2 748 702)
Prepayments	(599 325)	(367 199)
Payables from exchange transactions	(5 266 963)	(434 549)
VAT	(2 834 007)	-
Unspent conditional grants and receipts	2 500 000	(431 117)
	(4 213 004)	9 382 772

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	2023	2022
28. VAT paid		
Balance at beginning of the year	(3 025 070)	(3 061 247)
Transactions during the year	(1 224 444)	36 177
Balance at end of the year	1 415 507	3 025 070
	(2 834 007)	-
29. Fair value adjustments		
Investment properties	(988 001)	8 603 546
30. Commitments		
Operational Commitments		
Already contracted for but not provided for		
• Long term	17 292 568	19 759 455
• Short term	13 687 434	12 316 587
	30 980 002	32 076 042
Total operational commitments		
Already contracted for but not provided for	30 980 002	32 076 042
Total commitments		
Total commitments		
Authorised operational expenditure	30 980 002	32 076 042
Commitments relates to outstanding orders issued to suppliers for services not rendered as at year end and also commitments relating to long term and short term contracts with service providers of which as at year end the contracts were still active. There were no capital commitments for the period under review.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	1 924 827	424 581
- between 2 - 5 years	3 463 424	45 544
	5 388 251	470 125

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

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31. Contingencies

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2023 2022

Contingent liabilities

Claims on disputed invoices	384 000	1 150 875
Dispute relating to fuel tender	-	300 000
Unfair dismissal of the Acting CEO	400 000	319 000
Unfair dismissal of a Board Member	11 500 000	11 500 000
The entity is sued for undue enrichment	4 200 000	4 200 000
Labour dispute regarding unfair dismissal	584 000	200 000
Civil claim against GAAL for services rendered	3 000 000	5 100 000
Interdict for tender appointment of fuel service provider	-	350 000
	20 068 000	23 119 875

Entity is sued for undue enrichment

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

Interdict for tender appointment of fuel service provider

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

Civil claim against GAAL for services rendered

The former facilities management service provider suing GAAL for an amount of R5 100 000 for breach of contract after termination of the contract on the basis of irregularity in appointing the service provider. GAAL is defending the case in the High Court for viva voce evidence. The revised estimated costs as per the entity's legal counsel is R3000 000.

Labour dispute regarding unfair dismissal

- Former Board member suing Gaal for loss of income and other incidental claims for an amount of R11 500 000. The case is still pending in the High Court. Application to dismiss the case to be instituted due to inaction on the part of the plaintiff. On the 01/03/2018, Notice of withdrawal as attorney of records was registered (Maree vd Berg Attorneys).
- Labour court review application by the former employee. GAAL won the case of dismissal at CCMA against former employee. The employee referred the matter to the Labour Court. Review case still pending. Applicant untraceable and application to dismiss to be embarked upon.
- Employee's dismissal confirmed by the CCMA. He filed a review application in the Labour Court and Gaal is defending the case. GAAL won the case of dismissal at CCMA against former employee. The employee referred the matter to the Labour Court. Review case still pending. Applicant untraceable and application to dismiss to be embarked upon.
- The former employee is refusing to go on pension, and once his services were terminated, he took the matter to the labour court. The employee passed on in January 2021. The matter is not on the roll. GAAL received a favourable ruling in CCMA against the former employee and the employee referred the matter to labour court for appeal. The matter was closed the employee at CCMA. The employee retired before the internal process completed. The employer does not have due restriction to the employee. The employer took the matter to the Labour Court

Claims on prepayment of invoices

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

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32. Related parties

Relationships
Parent Department

Limpopo Department of Transport and Community
Safety
Refer to note

Key Management

Related party transactions

Limpopo Department of Transport and Community Safety
Executive Management
Board of Directors

69 831 000 67 331 000
3 753 044 2 600 222
309 856 370 298

Remuneration of management

Management class: Board members

2023

Name	Board fees	Total
DV Xaba	170 486	170 486
S Phayane	139 370	139 370
	309 856	309 856

2022

Name	Board fees	Total
DV Xaba	209 399	209 399
S Phayane	125 807	125 807
Z Tshabalala *	25 521	25 521
M Gololo *	9 571	9 571
	370 298	370 298

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32. Related parties (continued)

* Resigned in the financial year ended 31 March 2022.

Management class: Executive management

2023

Name	Basic salary	Other benefits received	Total
M Matli (Acting Chief Executive Officer (August 2022 - 31 March 2023))	1 051 199	472 887	1 524 086
J Khuloane (Chief Financial Officer (Appointed July 2022))	725 432	135 125	860 557
P Moloto (Acting Chief Executive Officer (April 2022 - 31 July 2022))	-	200 490	200 490
J Manyakoana (Senior Operations Manager) (Appointed June 2022)	775 043	144 409	919 452
P Khumalo (Acting Company Secretary) (April 2022 - September 2022)	-	248 459	248 459
	2 551 674	1 201 370	3 753 044

2022

Name	Basic salary	Termination benefits	Other benefits received	Total
P Moloto (Acting Chief Executive Officer (July 2021 - 31 March 2022))	-	-	76 775	76 775
Ms Ledwaba (Company Secretary) (Resigned August 2021)	515 144	-	115 007	630 151
M Matli (Senior Human Resources Manager) (From March 2022)	78 084	1 550 689	16 064	1 644 837
P Khumalo (Acting Company Secretary) (October 2021 - 31 March 2022)	-	-	248 459	248 459
	593 228	1 550 689	456 305	2 600 222

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33. Prior period errors

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	As previously reported	Correction of error	Restated
Operating lease asset	5 159 760	(4 462 267)	697 493
Receivables from exchange	3 420 106	753 463	4 173 569
Property, plant and equipment	191 694 555	67 685 948	259 380 503
Intangible assets	1 914 682	(1 401 879)	512 803
Payables from exchange	(17 880 292)	(1 515 011)	(19 395 303)
Prepayments	-	367 199	367 199
VAT Payable	(3 145 924)	120 854	(3 025 070)
Employee benefit obligation	(4 457)	4 457	-
Accumulated surplus (31 March 2021)	(222 470 707)	(65 596 555)	(288 067 262)
	(41 312 277)	(4 043 791)	(45 356 068)

Statement of Financial Performance	As previously reported	Correction of error	Restated
Fair value adjustment	(7 841 366)	(762 180)	(8 603 546)
Rendering of services	(2 879 164)	(96 917)	(2 976 081)
Rental income	(5 250 247)	244 984	(5 005 263)
Finance income	(2 128 960)	(5 440)	(2 134 400)
Deferred grant income	(431 117)	(12)	(431 129)
Employee costs	30 981 329	(58 049)	30 923 280
Depreciation and amortisation	11 404 866	946 117	12 350 983
Impairments loss	99 434	2 821 940	2 921 374
Debt impairment	2 748 048	654	2 748 702
profit on disposal	(13 938)	344 721	330 783
Contracted services	5 828 813	(130 781)	5 698 032
General expenses	21 459 937	738 754	22 198 691
	53 977 635	4 043 791	58 021 426

Operating lease asset

The adjustment relates to incorrect accounting treatment on lease agreements to tenants. The entity was incorrectly capitalising future lease receipts instead of only capitalising the straightlined amounts. The entity accounted for the adjustment as a prior period error as the incorrect accounting treatment impacted prior years.

Property, plant and equipment

The estimated useful lives of assets were not done correctly as they were not reflecting the true nature and the expected utilisation of the assets. Management decided to make a correction of the estimated useful lives to reflect the true expected utilisation of the assets. The correction of the error resulted in the prior period error correction which was applied retrospectively.

Intangible assets

Computer equipment were reclassified from Intangible Assets. The reclassification of the assets to Computer Equipment resulted in a prior period error correction in both Computer Equipment and Intangible Assets.

Receivables from exchange transactions

Sundry debtors payments for April and May 2023 were recorded in 2022 financial year. Debtors with credit balances and creditors with debit balances for the prior year were not recorded. These adjustments were accounted for as prior period error.

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Payables from exchange transactions

The adjustment relates to the processing of prior year expenses that were not recorded in the prior year. Debtors with credit balances and creditors with debit balances for the prior year were not recorded. These adjustments were accounted for as prior period error.

VAT payable

The adjustment relates to the VAT implications of prior year expenses that were not previously processed. These entries were accounted for as a prior period error.

Prepayments

The entity did not account for the insurance prepayment in the prior year.

Fair value adjustment

Owner occupied property that became investment property in the prior years was not correctly classified and was omitted from the investment properties asset register. Investment property that became owner occupied in the prior years was also incorrectly classified as Investment property.

Rental income

The adjustment is due to the operating lease asset corrections to reflect the accounting differences of the straightlining adjustment.

Depreciation and amortisation

The estimated useful lives of assets were not done correctly as they were not reflecting the true nature and the expected utilisation of the assets. Management decided to make a correction of the estimated useful lives to reflect the true expected utilisation of the assets. The correction of the error resulted in the prior period error correction which was applied retrospectively.

Impairment loss

Assets that were damaged due to mechanical breakdowns were not impaired in the prior year. The correction of the error resulted in the prior period error correction which was applied retrospectively.

Profit/loss on disposal

The adjustment relates to motor vehicles that were written-off due to accidents in the prior year. The write-off resulted in the prior period error correction.

Contracted services

The adjustment relates to reclassification of consultants from contracted services to the consultants and professional fees account.

General expenses

The adjustment relates to insurance expense that is now accounted for as a prepayment as well as expenses accruals that were not processed in the prior year and expenses reclassifications. These corrections resulted in the prior period error correction which was applied retrospectively.

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34. Risk management

Financial risk management

Liquidity risk

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

At 31 March 2023	Carrying amount	Total contractual cashflows	Less than 1 year	Between 2 and 5 years	Over 5 years
Trade and other payables	12 903 896	12 903 896	12 903 896	-	-
Subtotal	12 903 896	12 903 896	12 903 896	-	-
	12 903 896	12 903 896	12 903 896	-	-
At 31 March 2022	Carrying amount	Total contractual cashflows	Less than 1 year	Between 2 and 5 years	Over 5 years
Trade and other payables	19 395 303	19 395 303	19 395 303	-	-
Subtotal	19 395 303	19 395 303	19 395 303	-	-
	19 395 303	19 395 303	19 395 303	-	-

Credit risk

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

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

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

Financial instrument	2023	2022
Cash and cash equivalents	3 601 505	10 301 298
Receivables from exchange transactions	8 323 168	4 173 569
Payables from exchange transactions	12 903 896	19 395 303

Market risk

Interest rate risk

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

The entity has no exposure to interest rate risk as it levies interest to all outstanding receivables at a variable rate linked to the prime interest rate, furthermore the entity has no interest bearing debt.

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35. Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of 279 446 386 and that the entity's total liabilities exceed its assets by 279 446 398.

The annual 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.

36. Events after the reporting date

Management is not aware of any events after the reporting date that will have a material impact on the results of the entity.

37. Fruitless and wasteful expenditure

Add: Fruitless and wasteful expenditure identified - current period	220 918	755 376
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Fruitless and wasteful expenditure incurred in the current year was in respect of SARS interest and penalties (R141 786), Municipality (R52 132), CIPC (R3 000) and a penalty incurred to the South African Civil Aviation Authority (R24 000) for non-compliance.

38. Irregular expenditure

Add: Irregular Expenditure - current period	557 208	999 934
Add: Irregular Expenditure - prior period (identified in the current year)	-	544 535
Closing balance	557 208	1 544 469

Irregular expenditure is presented inclusive of VAT

The amount of R557 208 incurred for irregular expenditure in the current year as a result of not following supply chain regulations.

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39. Budget differences

Material differences between budget and actual amounts

Material variances between actual amounts and budget are explained below:

Rental Income

Rental income is R674 948 below budget mainly due to cancellation of tenants leases in the current financial year.

Rendering of services

Rendering of services is R406 400 above budget mainly due to an increase in air traffic movements in the last quarter of the current financial year.

Interest Received

Interest received is R3 248 695 above budget mainly as a result of a decline in debtors collection rate in the current financial year. Interest is charged on debtors when payment is not received within 30 days.

Government Grant

Government grant is below budget by R6 675 494 as a result of the VAT Output being levied on the grant. The grant is budgeted inclusive of VAT.

Personnel Costs

Personnel costs is R 4 457 979 below budget as a result of vacant positions only being filled during the middle of the financial year as opposed to the beginning of the financial year as originally planned.

Contracted services

Contracted services is below budget by R917 428 as a result of credit notes received from suppliers in the current year.

General Expenses

General expenses is R4 926 848 below budget due to lesser spending in the current financial year than anticipated.

40. Accounting by principals and agents

Agent relationship

Agent: ATNS

Opening	19 494 307	21 750 841
Additions	2 201 707	896 786
Payments collected	(1 947 231)	(4 141 474)
Rejections	(4 851)	(4 415)
Interest charged	1 836 634	992 569
	21 580 566	19 494 307

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

The aggregate amount that the entity recognised as commission for the transactions carried out is R 111 965 (2022: R207 074)

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41. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.