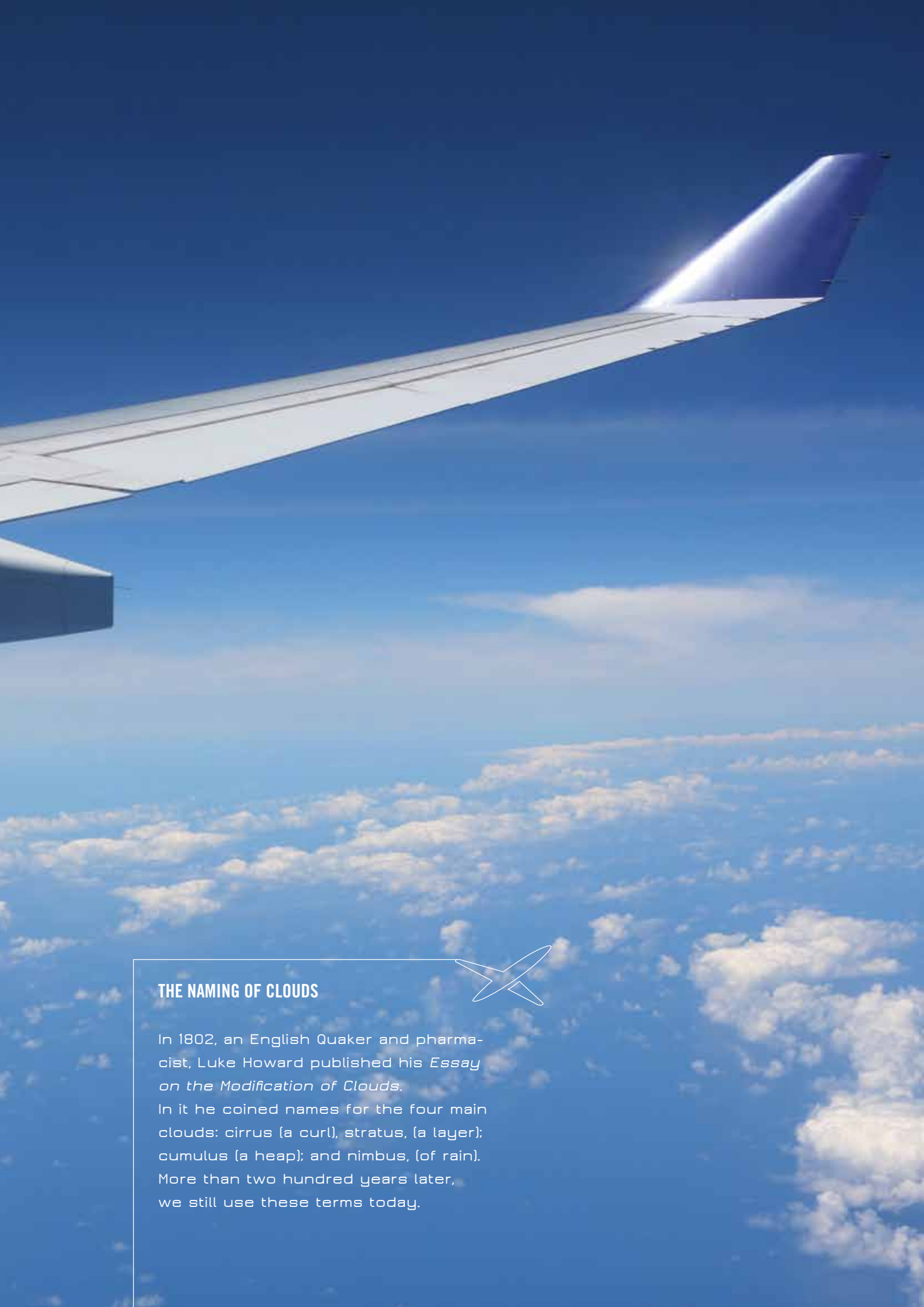
ANNUAL REPORT 2010/2011

sa express

we fly for you



THE NAMING OF CLOUDS

In 1802, an English Quaker and pharmacist, Luke Howard published his *Essay on the Modification of Clouds*.
In it he coined names for the four main clouds: cirrus (a curl), stratus, (a layer); cumulus (a heap); and nimbus, (of rain).
More than two hundred years later, we still use these terms today.

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01 ABOUT SA EXPRESS

THE SPIRITS SURROUND US

Megha, meaning "cloud" in classical Hindi, is also the name used to address elephants in prayer. Both Hindus and Buddhists believe cumulus clouds are the spiritual cousins of elephants.

01

Vision

SA Express' vision is to be the most successful regional airline.

Mission

To provide the best customer service whilst optimising profits.

Values

SAFETY FIRST

Rigorous adherence to national and international standards of safety to ensure air travel that is both safe, as well as comfortable.

SERVICE BEFORE SELF

Meeting – and exceeding – customer and employee expectations through caring and high standards of service excellence. Both internal and external communication need to be in line with service delivery in total transparency.

PASSION

Work is delivered with enthusiasm and a desire for excellent performance and action. Passion applies to lively or eager interest in or admiration for "The Express Way". Success is rewarded, recognised and celebrated in a fun and exciting manner as a norm in our everyday interaction.

PERFORMANCE DRIVEN

Implementation of a well-defined strategy, and clearly articulated corporate and individual objectives to meet continuous performance targets and sustain the organisation's growth into the future.

SELF DEVELOPMENT

Pro-active learning and development targeted to meet the challenging demands of our jobs and holistic individual growth, as well as to promote business performance.

ACCOUNTABILITY AND INTEGRITY

The viability of our business hinges on taking ownership of both responsibility and follow-through, with an unquestionable commitment to only the highest ethical and professional standards.

Strategic Overview

The purpose of SA Express is to provide a strong feeder network to international carriers. The airline is also committed to stimulating and developing new secondary entry points into the SADC region.

In the last financial year, SA Express continued to focus on the following critical areas of its business:

Increasing Revenue: The airline continually strives to increase revenue by implementing a number of key initiatives. During the 2010/11 financial year, SA Express focused on consolidating its domestic markets and expanding within the region.

Regional Expansion: SA Express' launch of Congo Express, a DRC-based domestic carrier, formed part of its vision to expand the airline's regional footprint. However, this initiative had to be closed down due to challenges faced in the venture and the barriers to operate successfully within the DRC. To achieve its goal of being regional carrier of choice, SA Express also increased its fleet to stimulate and service thriving secondary markets.

Improving Operating Efficiencies: Improving operational efficiencies in the business remains the key focus. The objective is to create a culture of "getting it right the first time around" in order to save costs, time and energy, amongst all employees. This, coupled with the airline's customer-centric orientation, will ensure success for many years to come.

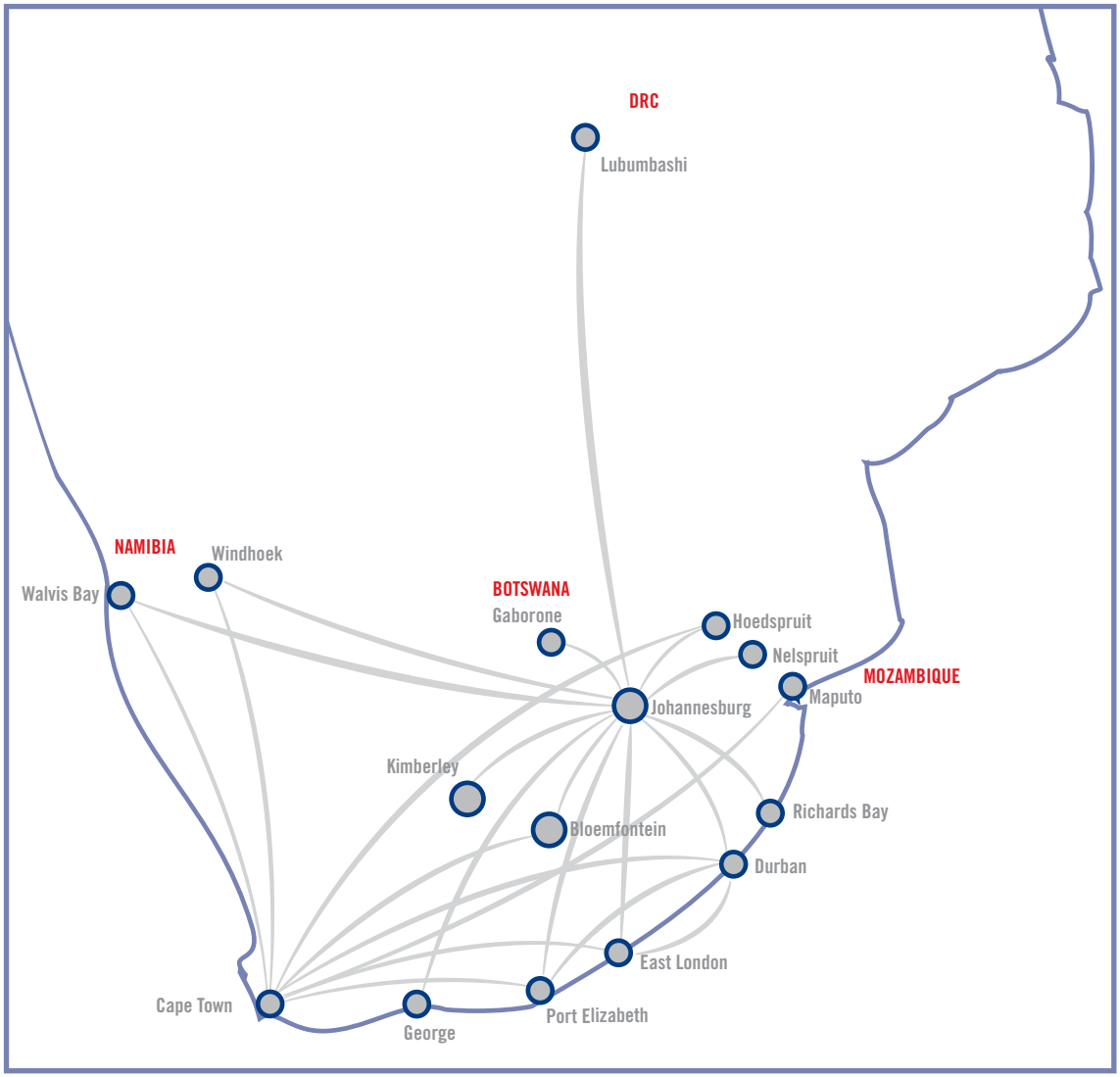
Key Performance Indicators

REVENUE GROWTH 4.4%	INCREASE IN PASSENGERS CARRIED 1.01%
FLEET 27	LOAD FACTOR 64%
REVENUE PER AVAILABLE SEAT / KM 1.04C	COST PER AVAILABLE SEAT / KM 0.87
ON TIME PERFORMANCE (15MIN) 85%	GEARING RATIO 1.46 TIMES

SA Express Route Network

TRAVEL ROUTES

Johannesburg | Bloemfontein | Cape Town | Durban | East London | Gaborone | George | Hoedspruit
Kimberley | Kruger – Mpumalanga | Lubumbashi | Maputo | Nelspruit | Port Elizabeth | Richards Bay
Walvis Bay | Windhoek



SA Express Fleet

SA Express' fleet of 27 aircraft is manufactured by Bombardier Aerospace. These modern, new generation aircraft are designed to efficiently service the regional market: the fuel efficient 70-seater CRJ 700, the 74-seater Q400 which is known to be the quietest turboprop cabin in the sky, the 50-seater CRJ 200 and also the 50-seater Dash 8 300 aircraft.

CANADAIR REGIONAL JET 200 BER

Manufacturer: Bombardier
Maximum cruising speed:
474knots/545mph/879kmph
Engine: 2 General Electric CF34-3B1
Range: 1 662miles/3 080km
Maximum altitude: 41 000ft/12 496km
Seating capacity: 50 passengers
Crew: Two pilots, two cabin crew
Wing span: 69ft 7in/21.21m
Overall length: 87ft 10in/26.77m
Overall height: 20ft 5in/6.22m
Maximum take-off weight: 51 000lb/23 134kg
Minimum runway length: 6 295ft/1 919m

CANADAIR REGIONAL JET 700

Manufacturer: Bombardier
Maximum cruising speed:
473knots/544mph/875kmph
Engine: 2 General Electric CF34-8C5B
Range: 1 4772miles/2 794km
Maximum altitude: 41 000ft/12 496km
Seating capacity: 70 passengers
Crew: Two pilots, two cabin crew
Wing span: 79ft 3in/23.2m
Overall length: 106ft 8in/32.51m
Overall height: 24ft 10in/7.57m
Maximum take-off weight: 72 750lb/32 999kg
Minimum runway length: 4 580ft/1 396m

DE HAVILLAND DASH 8 SERIES 300 TURBOPROP

Manufacturer: Bombardier
Maximum cruising speed:
285knots/328mph/528kmph
Engine: 2 Pratt & Witney PW123E
Range: 1 250miles/2 000km
Maximum altitude: 25 000ft/7 620km
Seating capacity: 50 passengers
Crew: Two pilots, two cabin crew
Wing span: 90ft/27.4m
Overall length: 84ft 3in/25.7m
Overall height: 24ft 7in/7.49m
Maximum take-off weight: 43 000lb/19 505kg
Minimum runway length: 3 775ft/1 150m

DE HAVILLAND DASH 8 SERIES Q400 TURBOPROP

Manufacturer: Bombardier
Maximum cruising speed:
360knots/414mph/667kmph
Engine: 2 Pratt & Witney Canada PW150A
Range: 1 565miles/2 519km
Maximum altitude: 25 000ft/7 620km
Seating capacity: 74 passengers
Crew: Two pilots, two cabin crew
Wing span: 93ft 3in/28.42m
Overall length: 107ft 9in/32.83m
Overall height: 27ft 5in/8.34m
Maximum take-off weight: 64 500lb/29 257kg
Minimum runway length: 4 580ft/1 396m

02 CHAIRPERSON'S REPORT

GOOD OMENS

A common Iranian blessing, "*Dayem semakum ghaim*" translates as "your sky is always filled with clouds".

At the time of publishing the 2010/11 Annual Report and the Annual Financial Statements, the SA Express board, leadership and management were confident of the financial performance and sustainability of the airline. Subsequent to this, it emerged that there had been irregular accounting practices which, it has been discovered, date back beyond the 2010/11 financials.

A forensic audit was commissioned by the Board following allegations of accounting irregularities reported through the company's Ethics Hot Line last September. SizweNtsaluba Gobodo was appointed to carry out the investigation, and staff and management cooperated fully with the investigators.

This was a difficult period for all as the staff, management and the Board were all operating under media scrutiny and negative media coverage during this time, which decreased staff morale.

The forensic audit report, completed in December 2011, confirmed that there had been no fraudulent transactions but many accounting errors arising from lack of competence and deviations from accounting policies. As a result of the findings, the Board resolved to withdraw and reconstruct the 2011 Annual Financial Statements. Furthermore, it initiated internal disciplinary procedures, resulting in warning letters being issued to implicated members of management.

The Board believes that there has been no attempt to defraud the company as the issues, which have been thoroughly investigated, arose as a result of errors made in accounting entries over a period of time. Together with the leadership, we have put in place a programme to improve all internal controls to ensure that these accounting irregularities do not arise again.

Upon thorough investigation, other errors were found relating to previous financial periods and this subsequently delayed the reconstruction of the 2011 Annual Financial Statements. In summary, these resulted in the restating of the 2010/11 financials with the following changes: aircraft values, rotable and consumable values, the items listed in the forensic report and other areas.

This has had a knock on effect on the 2011/12 financials and adjustments have been made to the treatment of maintenance costs, and the valuation of aircraft, rotables and consumables. While this was a trying time for the organisation as a whole, invaluable lessons have been learnt and the opportunity taken to redesign accounting policies and processes, to train and upskill accounting staff and to ensure such errors will not recur.

ACKNOWLEDGEMENT

I would like to acknowledge the integrity and hard work of the Board, the SA Express leadership team and all of our staff, for undertaking such a rigorous process of restating the 2010/11 financials; your perseverance and commitment is applauded.

SA Express appreciates the unwavering commitment of the shareholder to all State Owned Companies. The rigorous leadership of Minister Gigaba has enabled the airline to fulfil its ambitions to become a sustainable regional airline.

My Board colleagues faced a year of significant challenges; you were reliable and determined in the face of formidable obstacles.

The SA Express leadership and management teams, led capably by Inati Ntshanga, experienced an incredible journey and we have been tested relentlessly.

To our customers, who chose to fly SA Express, we all know that we fly because of you and we thank you.

L.G Boyle

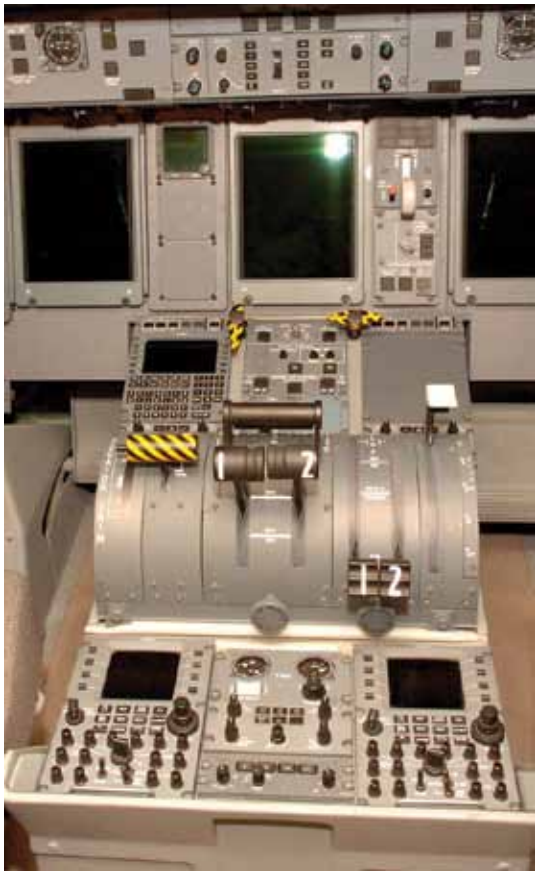
It must be noted that due to the fact that the Board members were, save for Dr. Ssamula, rotated at the AGM on 13 August 2012 and due to the fact that finalisation of the Annual Financial Statements for the year ending 31 March 2012 were mandated to the newly appointed Board members, the operational information contained in this Annual Report is reported on by the previous Board and the Annual Financial Statements are reported on by the newly appointed Board members. Both the Board of Directors and management of South African Express Airways are satisfied with this arrangement which is consistent with all legal requirements and does not expose the company to any risks.

03 CEO'S REPORT

SPEEDING THROUGH THE HEAVENS

Clouds move with the wind and when part of a thunderstorm, can travel at up to forty miles an hour.

03



Without a doubt, 2011 was an intricate year for the airline, one which brought with it many challenges. Turbulence is endemic to flying and is also an eternal attribute of the airline industry. As part of an ever-changing world economy, there were many industry and internal challenges we were faced with during the financial year. SA Express was not immune to these, and therefore had to make some strategic decisions to reshape the business.

As per the Chairperson's report, a forensic audit was commissioned after accounting errors were found in the Annual Financial Statements and the report thereof concluded that no fraudulent activities were identified. The audit report did however reveal weaknesses in internal financial controls and that resulted in the withdrawal of the Annual Financial Statements.

SA Express has subsequently reviewed its existing financial controls and accounting policies, improved on the internal controls to prohibit re-occurrence of errors, embarked on training programs to up skill staff and reviewed system functionality. All processes have been reviewed and aligned to ensure that these weaknesses are eliminated and oversight is improved.

It was a trying time for all employees and I would like to thank everyone for the patience and support they displayed to the people who had to deal directly with the auditors as we identified the areas of weakness. We are confident that our interventions will contribute to a world class and best practice organisation.

Without ranking the impact or the importance, all these challenges pushed the team to be innovative and drove, not only the executive team, but the company to be pro-active in recognizing change and adapting to ensure sustainable growth for the future.

- The symptoms of the recovery from the recession posed a national challenge in the behavior patterns of our customer and, as a business like all others, cost cutting initiatives were high on the list of priorities. Increased fuel prices and other regulated costs also posed a challenge and as the fleet was ageing, reliability remained a concern.

- SA Express had two incidents in Kimberley and Windhoek during the year, both handled superbly by all involved, especially the pilots: however the recovery of the aircraft proved to be more challenging due to extended waiting periods for spares.

- The excitement of the launch of Congo Express as the expansion venture into the DRC was short-lived, as market conditions and the escalating cost structure of operations made it impossible to maintain this business in the DRC. The decision to withdraw has not been an easy one but a crucial decision to ensure the sustainability of SA Express. Even in the near future we will make our corporate decisions with the necessary prudence and foresight as well as retain our focus on

sustainable value creation for all stakeholders. This methodology will ensure that we identify risks in time and take the required action. The contrary is also true that this will allow us to recognize opportunity at an early stage, do the necessary analysis and risk profiles as we capitalise on them.

When reflecting on the past year, one cannot file the boarding pass of this journey without acknowledging the historical events witnessed as a business and as ambassadors of the country. SA Express was awarded the contract to carry all the 32 teams during the 2010 FIFA World Cup and, with a lot of preparation, managed to fly the flag high. As demanding as they were, with a lot of changes to the schedule, we managed to transport them successfully, just as we did during the Confederations Cup the year before.

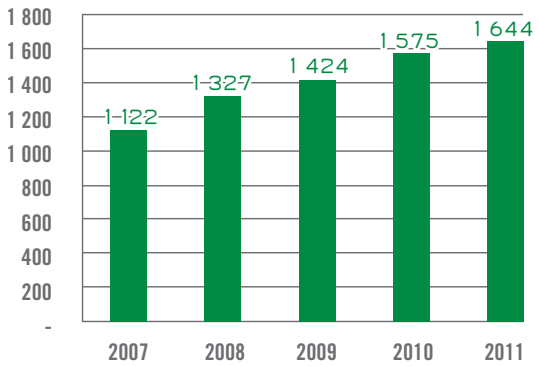
As part of our FACT business model, based on frequency, availability, competitive rate and time, we know how valuable reliability and safety is to our customers. SA Express has for the second time in the airline's history received the reliability award from Bombardier. SA Express achieved the highest overall dispatch reliability for the Middle East and Africa region.

With the fleet renewal tender finalized, SA Express is proud to be offering our customers not only a competitive product, but also a more economical product in the near future. The fleet of the future still requires a mixed fleet of Turbo props and Jets. The products of choice were identified as Bombardier Q400 and the Embraer E-jets. SA Express will be receiving seven Q400 Turbo props as part of the new generation modern aircraft fleet, during the next financial year, which will increase our gauge from primarily 50 seater aircraft to 70 seaters.

The Turbo prop aircraft has many advantages, such as reduced carbon emissions (more friendly to our environment), reduced noise with Q Technology (Q stands for Quite), outstanding passenger comfort and with comparable flight speeds to Jet aircraft. We believe that our customers will be more than satisfied to associate with these aircraft.

Despite the decline in demand for aviation travel, SAX has seen a 4.4% growth in turnover over the past 12 months. It has experienced a cumulative growth of 46.5% over the past five years. The graph below depicts the revenue generated over the past five years to 2011:

REVENUE (R'M)



The company, not withstanding this excellent growth in revenue, has experienced significant cost pressures from factors such as fuel, airport charges and maintenance costs which are dollar denominated, thus suffering the impact of the fluctuation in the exchange rate against the US dollar. Following are some of the significant increases in costs over the past five years:

- Fuel expenditure is R399.5 million, 24.3% of revenue and is 39% above the fuel expenditure incurred in 2007;
- Ground support and passenger handling is R78.4 million and is 198% above the costs incurred in 2007; and
- Navigation, landing and parking is R165.3 million and is 102% higher than the costs incurred in 2007.

The above increases in costs, against the relatively marginal increase in revenue required the company to provide greater wisdom and stewardship over its limited resources.

Sustainable earnings comparison

	2011		2010	
	Original financial statements Rm	restated financials Rm	Original financial statements Rm	restated financials Rm
net profit / (loss) before tax	51	-201	349	109
Profit on sale of Assets				0,1
Impairment on Congo Express	35	39,6	-6	
Impairment on Assets		61,2		86,3
Reclassification Adjustment	0		-163	-47
Fair Value Adjustments	1,9	-1,4	0,3	
Change in Estimates	0	156,4	-50	61,0
Prior period over / under accruals	14		-14	
Prior period Errors	7,3	-	-7,3	-31,8
net profit / (loss) before tax	109,2	54,77	109	177,6

Not withstanding the net loss after tax of R201 million reported, on a sustainable earnings level, the profit is R54.77 million. The fuel costs, ground support, passenger handling, navigation, landing and parking costs have had a significant and negative impact on the business. Despite this, the business, is still able to meet its short term obligations as evidenced by the net current asset position and with the robust strategy the position will improve further.

It is to this end that the model of the business has been receiving significant attention to ensure that the business is not only looked after for the next day, but that it thrives into the future to ensure the achievement of the noble goals of the shareholder as articulated in the New Growth Path.

For the 2012 financial year, SA Express will be focused on a phased strategic approach. Phase one will be focused on remedial actions whilst phase two will strive to consolidate and embed business cost/efficiency improvement initiatives as part of the core of our business. This approach will ensure that the airline stimulates new markets and keeps its operations sustainable post the recession period, whilst navigating the turbulence.

As we check-in for the flight ahead, we know we are going to be faced with head winds and turbulence on the horizon, such as fuel prices putting pressure on profitability, the need to improve our on-time-performance and other factors. To deliver on our vision to be the best regional airline, we know that we have the loyalty and commitment of, not only our customers, but also our workforce of 1026 employees.

As We Fly for you, we thank you for joining us onboard this journey.

Inati Ntshanga

HIGH IN THE SKY

Noctilucent clouds are the highest clouds, forming at over 80km up – much higher than ordinary clouds, which typically rest at most about 16km above the earth.

04 LEADERSHIP

04 BOARD OF DIRECTORS

LILIAN BOYLE

Chairperson of the Board of Directors (non-executive chair)

Lilian Boyle is a consummate businesswoman with extensive experience in the travel and tourism industry. A former Chief Executive of the BidTravel Group of companies, she guided the acquisition and new business strategies, regional expansion, global alliances, relationship management of key clients and suppliers and a performance driven culture of integrity and entrepreneurship. She holds a Master of Arts (Economics) degree from Glasgow University and a Master of Business Administration from the University of the Witwatersrand.

INATI NTSHANGA

Chief Executive Officer

Inati Ntshanga, a Harvard Economics graduate, was appointed Chief Executive Officer on the 1st of September 2010. Previously, his portfolio included the development of SA Express' strategy and business development, including driving expansion into new routes. Over the last 10 years, Inati has held various roles in the airline industry, particularly at SAA where he worked in various departments, including Voyager, Airport Operations, Technical, Regional General Manager for the Americas and Executive Manager of Strategy and Planning.

Prior to joining SAA, Inati was part of a consulting firm that was tasked to work in various areas including Cargo, Technical and Customer Service. Inati also holds a GIBS Global Executive Development Programme qualification, serves on the Board of the Hoedspruit airport and is intensely involved in the development of the aviation industry in the region.

04 LEADERSHIP (continued)

Non-Executive Directors

EZRA BUNYENYEZI

Ezra Bunyenyezi is a prominent Rwandan businessman and a well-known corporate personality in East, Central and Southern Africa. For over 40 years, he has enjoyed a wide range of business exposure, at management and Board level, in various sectors, including banking, microfinance, insurance, real estate, telecoms, power, IT, logistics and communication. He is highly respected for his people management skills - and a very energetic member of several Boards. Ezra holds a Diploma in Mass Communication as well as a Diploma in International Travel and Consulting.

CHRIS CHRISTODOULOU

Chris Christodoulou, an expert on airline liability and regulatory issues, is the founder of Christodoulou & Mavrikis Inc, where he is currently a managing partner. An attorney in the High Court of South Africa and solicitor of the Supreme Court of England and Wales, his experience on airline issues include aviation insurance, bilateral air services agreements, competition and deregulation, aircraft acquisitions, aircraft finance and security, international mergers and acquisitions, joint venture agreements and many other specialities. Chris is a member of the Law Society of South Africa, a Fellow of the Institute of Directors (South Africa) and has acted as an International Air Transportation Association (IATA) Training Facilitator.

BONANG MOHALE

Bonang Mohale is Country Chairman and Vice President: SOPAF South Shell South Africa Energy (Pty) Limited. An accomplished businessman, recipient of numerous awards and a motivational speaker, Bonang has held various executive positions with pharmaceutical giant Novartis, Otis, the world's biggest and oldest elevator company, as well as South African Airways, Sanlam and Drake & Skull. After spending four years at Wits Medical School, Bonang acquired his business and management experience in the pharmaceutical industry where he progressed through various positions, including product management and new business development.

BRIDGET SSAMULA

Bridget Ssamula is currently employed as a senior lecturer and a researcher in the Civil Engineering Department at the University of Pretoria. She has been involved in air transport projects at both research and industry level in areas ranging from policy, strategy, planning and operations with a specific focus on African aviation issues. Bridget holds a PhD in Transportation Engineering from the University of Pretoria, in which she specialised in the field of aviation. She is currently finalising her MBA in Aviation Management from Embry Riddle Aeronautical University, USA.

GLENN van HEERDEN

Glenn van Heerden has had an outstanding career in the car rental, vehicle leasing and tourism industry. As a founder member of Avis Southern Africa LTD, he worked for the group in various capacities for 38 years, including the position of Chief Executive Officer and later as Non-Executive Chairman. Glenn, a qualified private pilot, led the expansion of Avis Southern Africa, to become the largest rental and leasing company in the region, throughout the 14 nation Southern African Development Community (SADC) and Avis Group listed on the JSE in 1997. Glenn is a shareholder of Southern African Safaris and the Thornybush Collection (Pty) LTD. He was a Non-Executive Director of Barloworld Motors and Automation. Glenn holds a PMD from Harvard University and is a trustee of the WWF South Africa.

MATSOTSO VUSO

Matsotso Vuso CA (SA) is Managing Director of Nyamezela Business Advisory Services, a firm that specialises in corporate finance, management consulting and assurance services. Other businesses that Matsotso has established include Nyamezela Consulting Engineers, a company providing project management, electrical, civil, chemical and architectural services; Nyamezela Properties, a construction and property management company and Nyamezela Investments, a company that targets various investment opportunities in mining, energy, telecommunications and tourism. Matsotso has extensive experience in assurance, project finance and financial restructuring.

LESIBANA LEDWABA

Lesibana Ledwaba was Head of Finance: 2010 FIFA World Cup™ Project at Coca-Cola South Africa. He was responsible for the full financial function and risk management on the 2010 FIFA World Cup™ Project. Subsequent to the end of the 2010 FIFA World Cup™, Lesibana moved into business operations where he currently heads up finance for Waveside (Pty) Ltd, a 100% owned subsidiary of Coca-Cola Africa. Prior to joining Coca-Cola South Africa, he held the position of Financial Director at Rennies Travel, where he was a member of the Board with responsibility for the full finance function, reporting to the CEO and to the Board. Lesibana also has experience in Internal Audit, having worked as the Chief Internal Auditor for Rennies Bank.

Mr. Ledwaba has served on:

- The Audit and Risk Committee for the Department of Science & Technology
- The Boards of Rennies Travel in Malawi, Namibia, Zimbabwe and Travelwise in Botswana

Lesibana holds a B.Com degree from Vista University, a Certificate in Tax from Unisa and an MBA from Wits Business School. He was also a participant on the Professional Development Programme – a six month work and study programme undertaken in New York.

VULINDLELA CUBA

Vulindlela Cuba is the Founder, Chairman and President of NGN Telecoms, a company that provides value added services through telecommunications networks to its corporate clients in South Africa and internationally. Vulindlela boasts a rare depth of knowledge and experience of management consulting, operations management and leadership, and of mergers and acquisitions.

Before creating NGN Telecoms in April 2001, Vulindlela held the following positions: Founder and Former Chairman, Deputy Chairman and CEO of Safika Holdings, Founder and Head of Octagon, the business consulting and training organisation. Vulindela has also served as an Executive Consultant at Monitor and Renaissance.

He holds a BSc (Land Surveying) from the University of Fort Hare, a BSc (Information Systems) from the University of South Africa and an MBA from the London Business School.

EXECUTIVE TEAM

INATI NTSHANGA
Chief Executive Officer

(please see Board profiles)

DAVE ALLANBY
General Manager: Operations & Cargo

Captain Dave Allanby, a qualified pilot, is responsible for the daily airline operations. His portfolio includes airport operations, flight deck and cabin crew and the Operational Control Centre.

Prior to joining SA Express, Captain Allanby spent eight years as the Chief Pilot of Gencor Aviation and prior to that Dave was at South African Airways for nine years. At SA Express, Dave's previous roles included Audit Captain, Chief Pilot and Executive Manager: Flight Operations.

He is currently the Chairperson of the Tender Committee, Principal Officer of the Pension and Provident Fund and Lead Negotiator in annual union salary reviews.

04 LEADERSHIP (Executive Team continued)

JENEAN GREEN
Chief Information Officer

Jenean Green is responsible for delivering value in IT processes and structures to ensure SA Express performs seamlessly. Jenean has 29 years of experience in IT and has vast experience in manufacturing, construction, retail, government and airline organisations.

Jenean joined South African Airways in 2000 to manage various system migration projects and in 2004 she was selected by South African Airways to manage the implementation of a major system for SA Express Technical. During the delivery of this project Jenean was approached by SA Express to join them in the role of Senior Project Manager IT, before being appointed to her current position.

WESLEY HERMANUS
General Manager: Human Capital

Wesley Hermanus is in his fourth year of heading up the Human Capital Business Unit at SA Express and was instrumental in transforming this area from an administrative function to a strategic business partner.

Prior to joining SA Express, Wesley was at South African Airways for 10 years, where he worked in the Flight Operations environment before moving to HR. Here, he held various managerial positions such as Quality Manager, Senior Manager: Skills Development, as well as Head of Industry Travel. Wesley then joined Discovery Holdings as the Divisional Manager: Learning Management, for 3 years.

Wesley holds a Human Resource Development qualification from the University of Johannesburg and a Masters degree in Business Administration.

ZUKI JANTJIES

General Manager: Customer Service and Marketing

Zuki Jantjies provides leadership to the Airports Operations, Product and Catering, Sales, Direct Channels, Group Sales & Reservations and Marketing teams.

Zuki was previously the Executive Manager for Airport Operations and OCC, where she led the team to ensure the timely departure and arrival of passengers at airports and co-ordinating the movement of all aircraft. Before her appointment to Executive Manager for Operations and OCC, Zuki headed the SA Express' Marketing Department, which consisted of brand marketing, communication, public relations and product before she was promoted to her current position.

Before joining SA Express, Zuki spent four years at Nampak in human resources, business development and brand management. She then joined South African Airways where she spent six years at Voyager responsible for airline and non-airline partnerships. Zuki holds an Honours Degree in Business Studies and a Higher National Diploma in Business & Finance from Nottingham Trent University in the United Kingdom.

ARSON MALOLA-PHIRI

General Manager: Africa Expansion

Arson Malola-Phiri is responsible for formulating the Regional Expansion strategy and roll out. Arson has vast experience in the airline and financial services industries, having worked for South African Airways, Barclays Africa, Standard Bank and Nedbank, in various senior management and executive roles.

During his tenure at SAA, Arson was responsible for the roll out of the Africa region growth strategy. Arson holds an MSc (International Finance) from University of Stirling (UK), as well as a BCom and Diploma in Business Studies.

04 LEADERSHIP (Executive Team continued)

PETER MASHABA
General Manager: Risk and Compliance

Peter Mashaba is responsible for the safety of the airline through compliance with the Civil Aviation Authority (CAA) regulations and international standards set by International Air Transport Association (IATA). He is also responsible for strategic risk management.

His 17 years of experience in the aviation industry includes working at the South African Civil Aviation Authority (SACAA), overseeing the safety of commercial aircraft operators and certification of new airlines. Peter was also responsible for preparing South Africa for state civil aviation safety audits conducted by the International Civil Aviation Organisation (ICAO) and Federal Aviation Administration (FAA) in 2007 and 2008.

Peter holds a Masters Degree in Aviation Safety and Aircraft Airworthiness from ENAC and ENSICA University in France.

RAMON VAHED
General Manager: Technical Maintenance and Engineering

Ramon Vahed leads the highly skilled team responsible for maintaining and supporting SA Express' fleet of 27 regional aircraft. He is focused on building brand equity for the airline by ensuring that fleet performs in line with international best practice. He is an internationally trained and leveraged industry specialist with vast knowledge and experience in the areas of aircraft maintenance organisation leadership, as well as fleet development.

During his 17 year tenure in the aviation industry, Ramon has qualified as a fully certified aircraft maintenance engineer and has successfully performed in several senior aircraft maintenance and engineering management positions. Ramon has worked as Senior Manager, based at Airbus in Toulouse, France where he assisted South African Airways in its largest ever acquisition of 26 Airbus aircraft.

Under his direct leadership SA Express has attained four international awards for performance and reliability. He holds a Post Graduate diploma in Management Practice from the University of Cape Town.

ESTE WELMAN
Acting CFO

Este Welman is a qualified Chartered Accountant and holds an M.Com in National and International Tax from North West University. Este joined SA Express as the Manager of Tax and Reporting in 2007, previously from the Audit industry. During this period she was leading the finance department, and fulfilled the role of Acting CFO.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sa express
IATA

05 SUSTAINABILITY

WORDS OUT OF AIR

The clouds left behind by jet aircrafts are called contrails – and they form when humid air from the craft's exhaust mixes with air of lower pressure and temperature. These snail trails in the sky can be used to form words and pictures, conveying messages to the world below.

05

As indicated in the CEO's report, SA Express is committed to becoming a company driven and directed through the principles of sustainable development and compliance.

Through the measurement of our carbon footprint, the introduction of new technology, adoption of specific operating methods as well as other efficiency improvement actions, we are taking our rightful place within the aviation industry regionally and internationally in reducing our impact on the environment.

Identifying and controlling the undesirable impacts that our operations may have on the health and wellbeing of employees, contractors and other stakeholders is central to our sustainability strategy. Annually, we implement medical surveillance and industrial hygiene programmes to ensure the successful identification and management of potential health risks and implementation of remedial strategies.

Our sustainability framework is designed to address strategy, financial issues, customer service, human relations, as well as governance and stakeholder relations, focussing on the key issues of price and revenue optimisation, improved capacity, cost control – as well as the ability to respond quickly to changes affecting our industry. This framework should enable SA Express to meet the expectations of the shareholder as well as other stakeholders in the areas of:

- Co-operation and consolidation (e.g. strategic alliances and code sharing schemes);
- New route development;
- Safety, Health and Environment;
- Skills development;
- BBBEE targets as agreed in the BEE Charter for Transport;
- The New Growth Path (Employment creation and improved competitiveness of the South African economy); and
- Corporate Social Investment.

Sadly and coincidentally, in line with the International Air Transport Association (IATA)'s 2011 projections for the airline industry, SA Express recorded a considerable loss for the year compared to the previous year. This reality has forced management not only to improve on our sustainability performance, but also to turn it into a central part of our product offering and identity. In this regard, our efforts are focussed on long-term sustainable performance by gearing our strategies and management actions to harness the market's potential for sustainable products and services, whilst reducing and avoiding sustainability costs and risks.

The overall passenger load factor increased to 63% from the previous year while the aircraft utilisation went down to 6.2 hours from the previous year's 7 hours as a result of fleet transitions.

The number of employees increased to 1026 from the previous year's 931, with expenditure on training increasing by 24% from R26.50 Million to R32.91 Million. Of the total workforce, 57% employees were black against the previous year's 60% with 38% female against the previous year's 40%. The percentage of black employees in management dropped to 51% from the previous year's 60% while the percentage of female employees in management increased to 36% from the previous year's 31%. Employment equity remains a priority and concern for SA Express to address as we move towards sustainability with specific focus on scarce skill.

Management has put in place processes to monitor SA Express' environmental impact going forward, starting with the measuring and monitoring of the energy and water consumed, waste generated, paper usage as well as the determination of the airline's carbon footprint. Only Scope 1 and 2 emissions will be quantified during 2011/12 financial year while systems are being put in place for the collation of data to facilitate the calculation of Scope 3 emissions.

As we move into the 2011/12 financial year, SA Express' strategic focus is:

- improved customer service;
- network growth (pursuit of both domestic and regional opportunities);
- human capital development; and
- increased productivity (people, systems and processes as well as performance management).

These goals will enable us to consolidate our presence in the domestic market, build a sustainable cargo business, improve our direct channels of revenue, implement our intra-Africa hub strategy, develop and retain our human capital as well as improve on service delivery.

Key Sustainability Challenges

SA Express faces the following sustainability challenges:

1. Pressure on Profitability

SA Express' profitability is under increasing pressure from the unpredictable global oil prices, as well as legislated tariffs from, for example, ACSA, ATNS and CAA.

2. Increased Competition

SA Express has had to adapt to the changing industry competitor landscape of a fragmented domestic market that may result in a declining market share, due to intensified rivalry over passenger numbers.

3. Reliability

It is imperative to achieve the On-Time-Performance target of 91%, as well as the airline's scheduled maintenance plans. Reliability has also been affected by the delayed arrival of the new fleet making it difficult to recover on the performance indicator.

Reliability is further aggravated by the technical serviceability of SA Express' ageing fleet, growth challenges relating to the company's expansion, operational departmental issues and staff compliment, as well as flight crew shortage.

4. Delay of the Fleet Renewal

The impact of the delay is twofold, on the manner highlighted above as well as:

- Failure to realise the cash flow budgeted for from aircraft disposals;
- Delays in the implementation of added capacity on routes;
- Delays in route network development;
- Inability to implement future fleet plan as funding plan on the delayed fleet was on operating leases; and
- Possible negative effect on SA Express' credit rating with possible impairment of the future funding plan.

5. Consumer Protection Act

The introduction of the Consumer Protection Act has presented considerable challenges to the airline industry in general. With the full implications of the Act not yet decoded to the sector, management are faced with having to make assumptions, some of which could be over-or-under exaggerated. It would therefore be beneficial to have clarity on these matters sooner rather than later.

6. Human Resources

In addition to BBBEE and other employment equity issues, the attraction and retention of appropriate skills presented a formidable challenge to management. Crystallization of SA Express' mandate with regards to the New Growth Plan objectives also posed considerable challenge.

7. Cargo

The development of capacity and capability to handle cargo presented considerable challenges from a human capital, as well as equipment and logistics perspective.

8. Climate Change

Climate change risks and associated environmental concerns, continued to be an issue, more so given the IATA requirement for a 1,5% reduction in emissions per annum against the 2005 benchmark, zero increase in emissions by 2020 and a 50% reduction by 2050. Building internal capacity to ensure compliance as soon as possible was a challenge that persisted during the year.

9. Sustainable Customer Relations

Operational challenges due to technical problems affected SA Express' ability to make available the required capacity, at the required frequency, thereby straining customer relations, in particular with some corporate clients.

Developments in 2010/11

1. Financial Sustainability

From a financial and economic perspective revenue was 4.4% higher than the previous year with net operating costs considerably up at 26.9% with an operating profit margin of -8.2%. While the overdraft usage has increased by over R6.9 million compared to the previous year's usage, the bank balance has increased by over R14 million from the previous year's balance. The value added to employees as well as to the providers of finance was also higher during the year under review, with the value added to Government and the business being lower in accordance with the loss made.

SA Express' liquidity position (current assets: current liabilities) has improved by 23.7% compared to the previous year and currently stands at 1.46 times while the solvency ratio (total assets: total liabilities) declined to 1.69 times, compared with 2.39 times the previous year.

The main strategic driver, with reference to funding is to ensure that SA Express remains focussed on the optimal gearing ratio of 1:1. The company is able to maintain a near perfect gearing ratio given the reduction in cost related to ownership of aircraft. A lower leveraged balance sheet with strong cash resources enables SA Express to respond very quickly to cyclical economic growth as well as consumer demand.

The company entered into a R200 Million revolving credit facility during the year for purposes of funding capital expenditure in support of the fleet. The loan is over a five year term. Future debt profiles will be driven by the company's efficiency ratios to ensure that all funding ventures remain affordable with the airline able to operate at the lowest cost of ownership to the bottom line.

2. Health and Safety

SA Express seeks to create a mindset and an environment where people believe it is possible to work injury free, regardless of where they are in the region, what role they perform, or in which operation they work. Although significant progress has been made in understanding the health and safety risks associated with our industry and implementing mitigating measures, our performance is still not where we would like it to be. Management focus during the coming year is aimed at strengthening the capacity within the Health and Safety unit.

In order to improve the capacity SA Express will, during the next financial year introduce health and safety leadership interventions that include:

- Identifying critical and highly visible behaviours to be demonstrated by Executive management so as to set the tone for health and safety commitment by all;
- Implementing a leadership visibility programme where leaders go to the shop floor and engage employees on health and safety matters;
- Incorporating health and safety into performance appraisals and holding managers accountable for health and safety performance in their areas; and
- Training leaders in health and safety legislation and company standards.

In line with sound corporate governance principles, a safety, health & environment (SHE) committee reviews operational performance in safety, health and environment and provides strategic guidance to improve performance.

There were no fatalities during the year while the total incidents/accidents recorded were lower at eight (8) against the previous year's eleven (11).

3. Regional Operations

Efforts continued throughout the year aimed at seamlessly withdrawing from SA Express' relationship with Biz Afrika in the Congo Express venture. While our relationship and experience at Congo Express was unsuccessful, management gained considerable experience in handling joint venture mandates or relationships within the African Continent. This experience will prove invaluable as we continue to pursue our vision of being the most successful regional airline, and attempting to fulfil our aspiration of developing "Express" franchise airlines in Africa and the implementation of the intra-Africa Hub strategy.

The above experience places SA Express in pole position for taking advantage of the region's growing passenger and cargo numbers, driven by strong regional economic and transport demand growth, on the back of increased foreign direct investment and rapidly growing trade links with Asia. This opportunity should however be seen in the context of increased/intensifying competition from European carriers entering the African domestic and regional markets for the lucrative business traffic in Africa.

4. Human Capital

The cornerstone of sustainability is our employees' capacity and capability, hence our aim to be the Employer of Choice within the regional airline industry.

We aim to make our employment value proposition equal to the best performing employers in the industry by focusing on issues that enable our human capital to achieve the strategic objectives of our airline by:

- attracting competent and fitting employees
- retaining employees
- supporting employee performance
- training and developing employees
- communicating with employees

Building an Employer of Choice Brand

The SA Express Human Capital landscape changed in the past 4 years from a reactive, administrative role to a more proactive, strategic focus to ensure that SA Express is positioned as an Employer of Choice. This is a critical differentiator to combat the prevailing scarce and critical skills demands in the Technical and Pilot employee groups, amongst others. In the battle for talent in the employment market success is increasingly being determined by reputational factors. Prospective employee choices are made on the capability of the prospective employer to: meet the expectations of its current and aspirant workforce with regard to individual growth opportunities, create a strong sense of belonging and engagement and sustain it, and recognise and reward are valued.

The continued focus on retention of a competent workforce and growth of our people is at the heart of SA Express' Human Capital strategy.

Employee relations

The 2010/2011 financial year was very stable from an employee relations perspective. This was due to the fact that 2-year salary agreements were

concluded with all recognised unions during the 2009/2010 financial year in order to provide stability and labour peace during the critical Soccer World Cup period. SA Express spent 8% of its total personnel cost on training and development for the current financial year.

Leadership Development

SA Express focused on increasing its leadership bench strength, with a continuation of its leadership pipeline programme/s. This saw the introduction of a Management Development Programme (MDP), in conjunction with the University of Stellenbosch (USB) and a Supervisory Skills Programme (SSP); the SSP is focused on preparing employees to take up junior management positions in the near future.

Thirty Four (34) Middle Managers were developed, of which 50% were black and 38% female. Forty three (43) individuals attended the SSP. These continuous development programmes will ensure a competent supply of managers for the organisation, whilst transforming this critical occupational level.

Functional Training

For 2010/2011 financial year SA Express remained one of the only South African Airlines that ran a MACH 1, an abinitio, Cadet Pilot Programme.

The Cadet Programme, geared towards Previously Disadvantaged Individuals, is instrumental in the transformation of the Pilot Occupational Group, which remains one of the biggest challenges to ensuring that occupational imbalances are redressed.

Of the twelve cadets that were enrolled in the past year, three (3) have already acquired their Commercial Licenses. They will be embarking on the next phase of their training that will facilitate them acquiring flying hours, and being appointed as pilots for SA Express.

Twenty six (26) new Apprentices were enrolled during this period. An intake of ten (10) Apprentices is planned for July 2011 and a further intake at the beginning of 2012. This programme is geared at producing black technicians for the Aviation Industry.

Organisational Development and Wellbeing

SA Express celebrated employee excellence with its annual recognition event when over 26 employees were recognized by their peers, managers and customers for exceptional performance displayed in line with our Corporate Values, throughout the financial year. The values are used as categories within which employees can display individual performance that is synonymous with the value descriptors. In addition to these categories, the CEO awarded an overall top performer and special awards to recognize specific areas of excellence. The best team award was scooped up by the Richards Bay Station.

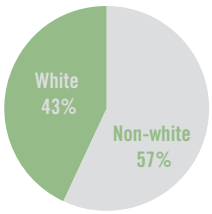
SA Express also promoted employee wellbeing through an integrated Employee Assistance Programme, HIV/Aids employee support and the communication and management of professional services for the benefit of employees.

Employment Profile

The SA Express headcount was 1026 staff members as at 31 March 2011. The overall employment profile reflects very positively against national and industry benchmarks. It shows a positive demographic profile change of 3% from the previous year. The demographic comparison of 43% white and 57% black, with a gender profile of 38% female and 62% male is indicative of good Employment Equity and Affirmative Action practices. Gender equity will, however, require attention over the next year to achieve the company's EE targets. The pie charts overleaf show the current SA Express employee profile. (See fig 1 and 2 on page 34)

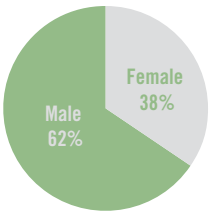
EMPLOYMENT PROFILE

FIG 1



GENDER PROFILE

FIG 2



Pilot transformation still remains a concern for the company and the industry at large. The SA Express Cadet Programme is designed to address the imminent pilot shortage and equity challenges.

2011/12 Human Capital Strategy

The Human Capital strategy for 2011 will focus on striking a balance between the business objectives to attract and retain the right mix of talented staff, whilst fulfilling its role as a State Owned Entity, to provide opportunities for the large number of unemployed individuals in the country. The following strategic objectives have been committed to in line with the broader business goals:

- Enhance the Performance Management processes across all levels;
- Manage an effective Learning and Development provision to improve skills within the organisation and the Aviation sub-sector;
- Enhance the Human Capital Planning, Recruitment and Selection process to attract talented individuals to the company;
- Enhance Employee Relations across all levels;
- Review the remuneration strategy;
- Implement an integrated talent and succession strategy;
- Implement an integrated Broad-Based Black Economic Employment (BBBEE) strategy;
- Improve productivity; and
- Implement New Growth Path targets as contracted with the shareholder.

5. BBBEE and Transformation

SA Express is fully committed to and follows the provisions of the Broad-Based Black Economic Empowerment Act 53 of 2003 and the principles embodied in the Codes of Good Practice on BBBEE, by instituting a policy for the upliftment of the historically disadvantaged in South Africa. We aim to contribute meaningfully to the socio-economic transformation of our society through the black economic empowerment process, and thus sustain future stability, growth and profitability.

As at the end of the reporting period SA Express' BBBEE rating for 2010/11 was still under independent verification. During 2009/10 we were on BBBEE level 7 rating. A review of the SA Express' current empowerment criteria was conducted during the year and the key areas for improvement were identified as targeted procurement, skills development and employment equity. While there is much to be done to ensure that our expectations and the requirements of the BEE Charter for the Transport Sector are met and that we maintain our commitment to meritocracy as the basis for appointment and reward, it should be categorically stated that BBBEE and transformation remain priority challenges for the airline.

Skills shortage and the impact of increased transformation pressure have created challenges to the retention of experienced black executives, technicians, other specialists and professionals. However SA Express continues to lead the industry in its transformation achievements, as can be measured by its early achievement of industry benchmarked targets. A continuous thrust to advance the transformation agenda in

line with the national EE objectives permeates through critical and strategic company objectives.

The Human Capital strategy focuses on increasing the acquisition of EE talent, as well as inculcating a transformed culture within the organisation. Human Capital will continue to focus on:

- Apprenticeship development with an emphasis on gender equality;
- Launching various Learnerships across all levels with a primary focus on designated groups;
- The Cadet Pilot Programmes, as the flagship programme;
- Identifying and placing people living with disability (both internally and externally); and
- Recruiting and selecting against specific targets.

An analysis of SA Express' employment equity profile indicates that more work is required if the airline is to make greater progress in achieving its long term targets. A holistic approach aimed at both supply side initiatives (growing the pool, diversifying the source and attracting better calibre staff than the competition) and demand side activities (retention plans, accelerated development and reconsidering job designs) will be utilised across the board within the airline to ensure that it attracts, develops and retains the talent it requires to meet its transformation and growth objectives.

SA Express' investment in formal employee training and development during 2010/11 increased by 24% to R32.91 Million from R26.50 Million the previous year.

6. Environment

The major environmental risks impacting SA Express' operations are presented in the table below:

Environmental risk	Applicability/group segment
Oil/Fuel Spillage	Technical environments
Noise pollution	All
Air pollution	Operations
Waste management	All
Hazardous material handling	Operations and Technical
Climate Change	All

In this context, SA Express plans to develop an environmental framework that calls for explicit measures of environmental performance, including the following indicators against which risks and opportunities would be assessed and managed for:

- resource efficiency and reduction of SA Express' carbon footprint
- emissions reduction, minimization of spillages, and waste management

The framework will aim to enable operations to better understand and identify hazards and risks and their potential effects, and the preventative measures required to achieve the SA Express' environmental objectives.

SA Express has identified the following as key climate change risks and opportunities:

Category	Risks and opportunities
Regulatory	1. Fuel/taxes and regulations 2. Carbon taxes 3. General environmental regulations
Physical	1. Changes in precipitation patterns 2. Changes in frequency of extreme weather events 3. Induced changes in human, natural and cultural resources
Reputational	1. Litigation exposures, insurance costs and unforeseen environmental remediation expenses resulting from the increasing number and scope of regulatory requirements
Financial	1. Increased operational costs: carbon tax and fuel levies will increase operational costs
Market	1. Trade and market risks of transformation to a lower carbon industry 2. Demand of lower carbon emissions solutions from clients
Others	1. Changes in the availability and costs of goods and services

7. Community Development

We are committed to supporting the communities within which we operate. The commitment is demonstrated through our corporate social investment programme which supports early childhood development and the development of youth affected and infected by HIV/AIDS and impacted by poverty.

Through the SA Express Cares Initiative care is provided for children and the young who represent the future of our airline and nation. Annually, SA Express employees contribute towards this initiative with the airline matching the employees' contribution. A total of R71,500 was distributed during the year to six deserving children's homes around the country against a total of R49,600 the previous year. The current year's recipients were Leratong Creche, Tembisa Children's Home, Phomolong HIV/AIDS Children's Home, Walvis Bay Community Centre, Ikhayalethu Children's Home (Richards Bay) and Kids Haven (Benoni).

A new approach may be required to SA Express' commitments, deliverables and mandate with respect to the Shareholder Compact in light of the New Growth Path, for the company to be able to give more focus to employment creation and enterprise development, in line with the national goals.

8. Ethics

SA Express acknowledges that leadership is responsible for creating the foundation for an ethical culture within an organisation. A company builds an ethical culture using formal and informal ways. Formal means include compiling an ethics risk and opportunity profile, developing a statement of business principles (commonly referred to as a code of ethics) and integrating ethical standards into its business activities and reporting on and disclosing the company's ethics performance.

A code of ethics is in place at SA Express to promote and encourage the ethical behaviour of all its employees and representatives irrespective of grade or station. The code is designed:

- To guide the behaviour of all persons appointed to act in one way or another on behalf of SA Express when on duty or during the course of duty and when acting on behalf of/or representing the airline.

- To provide a framework for identifying conduct that is ethical and acceptable for employees and representatives of SA Express.

- To ensure that all stakeholders are aware of the basic values cherished by SA Express.

- To ensure accountability within SA Express for fundamental ethical values and value systems.

SA Express ensures compliance with all its legal and regulatory requirements through application of its governance policies and procedures. Directors are bound by a Board-mandated Code of Conduct which contains standards of accepted behaviour.

9. Stakeholder Engagement

SA Express communicates constantly with its stakeholders and engages with them in a constructive and transparent manner. Key stakeholders are the groups or individuals that impact or are impacted by our operations, with an interest in what we do or the ability to influence our activities. During the period under review the following groups of stakeholders were consulted; the shareholder, Board, management, employees, major suppliers, major customers as well as the regulators.

Mutual trust and understanding with our stakeholders is imperative and we use directed means of communication for each stakeholder group. We engage through our operations; where for example, stakeholder queries may relate to impacts on local employment and procurement, and through our corporate office on matters relating to the broader airline industry issues, including Broad-Based Black Economic Empowerment (BBBEE), human capital development, risk management, health, safety and environmental (HSE) management and assurance.

As part of our stakeholder mapping and prioritisation, we will review and develop appropriate mechanisms and processes to constructively engage with our stakeholders. In this regard a workshop facilitated by KPMG was held during the year which identified some industry risks to a sustainable SA Express. After a stakeholder consultation process on the same and other sustainability issues a strategy and policy for the management of relations with stakeholders will be formulated.

Further, SA Express will during the course of the next financial year assess its process for reviewing material issues and engage key stakeholders to comment on risks and opportunities that may be associated with the airline's social, environmental and ethical behaviour.

10. Customer Relations

It is one of SA Express' stated aspirations to exceed customer service expectations in living our value of service before self. Our value proposition of increased frequency of flights and availability of seats at the desired time can only come to life given overall customer satisfaction, a sustained investment and ongoing relationship with our clients as well as appropriate attitudes and behaviours.

The following specific initiatives were undertaken to enhance SA Express customer/client relationships:

- identification of customer/client needs

- staff training programmes

- strategic alliances/code sharing

- market engagement

- innovation and education

- focus on quality, cost and performance delivery

Measures are in place to monitor customer/client satisfaction. These include questionnaires and regular customer surveys, with key account and project managers maintaining regular contact with customers/clients.

Sustainability Performance

This is basically a year-on-year comparison of SA Express' performance on appropriately selected indicators. The movement column depicts either an improvement or decrease in performance as appropriate.

Performance Dimension	Performance		Movement
	2010/11	2009/10	
Financial and Economic			
Revenue (Rands)	1,643,572,292	1,574,554,135	Up
Net operating expenses (Rands)	1,878,847,916	1,480,932,006	Up
Operating Profit Margin	-8,6%	8.1%	Down
Year end net cash (Rands)	74,845,499	67,764,631	Up
Value added to employees (Rands)	415,849,375	393,730,832	Up
Value added to providers of finance (Rands)	11,596,469	6,231,190	Up
Value added to Government (Rands)	13,736,726	27,752,043	Down
Value added to the Business (Rands)	-186,967,693	81,032,570	Down
Cargo as a % of revenue	0.77%	0.83%	Down
Aircraft utilisation (Average hours per day)	6.2	7	Down
OTP 15 min rule (%)	85%	87%	Down
Passengers transported	1,399,893	1,385,829	Up
Passenger Revenue (Rands)	1,338,579,968	1,244,897,622	Up
Average Revenue per Passenger (Rands)	956.20	898.31	Up
Passenger load factor	63%	61%	Up
SOCIAL			
Safety			
Fatalities	0	0	Constant
Number of incidents/accidents	8	11	Down
OHSAS 18001 IMPLEMENTATION	In progress	Planned	WIP
Health			
Employees medically surveyed	305	298	Up
Noise induced hearing loss	0	0	Constant
Employees			
Total Employees	1026	931	Up
Expenditure on employee training (Rands)	32,909,943	26,496,848	Up
% Black employees attending leadership development programme.	95%	36%	Up

Performance Dimension	Performance		Movement
	2010/11	2009/10	
% Female employees attending leadership development programme.	50%	21%	Up
Transformation and BBBEE			
BBBEE Rating	7 unaudited	7	
% Black employees	57%	60%	Down
% Female employees	38%	40%	Down
% Black employees in management	51%	60%	Down
% Female employees in management	36%	31%	Up
Community			
Corporate Social responsibility expenditure (Rands)	71,500	49,600	Up
ENVIRONMENTAL			
Energy used (Litres Aviation Fuel)	81,579,015	74,782,700	UP
CARBON FOOTPRINT (SCOPE 1 AND 2) TONS CO2E	208,717.6	188,304	UP
ISO 14001 IMPLEMENTATION	IN PROGRESS	PLANNED	WIP

05 SUSTAINABILITY

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06 CORPORATE GOVERNANCE REPORT

"The air up there in the clouds is very pure and fine, bracing and delicious. And why shouldn't it be?--it is the same the angels breathe."

06

INTRODUCTION

SA Express strives towards fully complying with and applying the principles of the King III and the Protocols on Corporate Governance.

INTERACTION BETWEEN THE BOARD AND THE SHAREHOLDER

The Board interacts regularly with the shareholder through the Chairperson of the Board. The Chairperson is the point of contact regarding interaction with the shareholder and Parliament. By invitation, the Chairperson and CEO attended various parliamentary sessions to update the Portfolio Committee on Public Enterprises on a number of strategic issues involving the company. In addition to regular interaction between the Chairperson and the Minister of Public Enterprises, the Board interacts with the shareholder through the Annual General Meeting. As a public entity, the company is subjected to the provisions of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The PFMA requires the Company, to conclude a Shareholder Compact with the Shareholder Representative. The Shareholder Compact contains shareholder expectations in the form of predetermined objectives and key performance indicators and ensures alignment between the Board and the Shareholder Representative. Progress in respect of the performance indicators is continuously reviewed by the Board and is reported to the Shareholder Representative quarterly. In addition, this information is audited annually and reported in the annual financial statements of the Company.

THE BOARD OF DIRECTORS

The SA Express Board is committed to maintaining high standards of corporate governance. The Board acknowledges that good governance is integral to a successful enterprise and critical towards business integrity. This principle is informed by SA Express' core values of business integrity and accountability. The Board also ultimately takes overall responsibility of directing the strategic objectives of the business.

Composition

The Board comprises a majority of Non-Executive Directors. Of the ten Directors, only one Executive is a Director, all of whom served throughout the year. The Chairperson of the Board is a Non-Executive Director. The role of the Chairperson is separate from that of the Chief Executive Officer. The Board believes that separation of powers and responsibilities ensures appropriate balance of authority between the Board and management. The current Directors of the company, as well as the resignations and retirements, are included in paragraph 9 of the Directors' Report to the annual financial statements.

Role and function of the Board

The Board is accountable to the shareholder for determining strategy and the overall business of the company. A formal Shareholders Compact determining strategic objectives of the company was concluded between the Board and its shareholder for the year under review. The Board has the ultimate responsibility for the strategic management and performance of the company.

The Board has a formal, documented charter, which states that the Directors of SA Express retain overall responsibility and accountability for the company, its strategic direction and annual business plan and budget.

The Chief Executive Officer's day-to-day management of the business is based on clear and precise delegation of authority for the implementation of the Board strategy.

The Directors are apprised of the operations of the business throughout the year via regular CEO's reports at Board sessions and regular electronic updates.

The Directors had access to the advice and services of the Company Secretary. Unrestricted access to all company information, records and documents was also given to the Directors on request. In addition, the Directors were entitled to independent professional advice at the company's expense.

06 CORPORATE GOVERNANCE REPORT (continued)

The Board's role and responsibilities are included in the Board charter and are reviewed on an annual basis by an independent third party.

Board Meetings

The Board met regularly and meetings were scheduled in advance in accordance with the Board calendar which set out matters for discussion at each meeting. The Board meetings focus on strategic issues and the overall performance of the company. Directors are entitled to propose additional matters for discussion by the Board. Resolutions of the Board were taken by way of Directors' written resolutions in terms of the provisions of the Articles of Association, where necessary. Some of these were distributed through Round Robins, as provided for in the Articles of Association. Such matters were deliberated by the Board prior to circulation of the respective Round Robins including arranging management interviews. Resolutions were supported by a full business case and/or motivation. During the said process, the Directors were afforded time to apply their minds to the matter at hand, prior to approval of the circulated Resolution. Management ensured that the Board is provided with all relevant information and facts to enable them to make appropriate and informed decisions.

Minutes of the meetings were kept in the Minute Books for the relevant year and access to the said minutes was given to both Internal and External Auditors for auditing.

The following reflects the number of meetings and attendance of the Directors for the year under review:

Register of Meetings

Name	03/05/10 Board	16/08/10 AGM	16/09/10 Board	11/11/10 Board	16/02/11 Board
Ms L Boyle	Present	Present	Present	Present	Present
Mr B Mohale	Present	Present	Present	Apologies	Apologies
Ms B Ssamula	Present	Present	Present	Present	Present
Mr E Bunyenyezi	Present	Apologies	Present	Present	Present
Mr G Van Heerden	Present	Present	Present	Present	Present
Ms M Vuso	Present	Present	Present	Present	Present
Mr C Christodoulou	Present	Present	Present	Present	Present
Mr N Madalane	Present	Apologies	Retired	Retired	Retired
Mr S Nicolaou	Present	Present	Retired	Retired	Retired
Ms S Mzimela	Present	Resigned	Resigned	Resigned	Resigned
Mr V Cuba	Not yet appointed	Not yet appointed	Present	Apologies	Present
Mr L Ledwaba	Not yet appointed	Not yet appointed	Present	Present	Present
Mr I Ntshanga	Not yet appointed	Not yet appointed	Present	Present	Present
Mr S Zulu	Present	Present	Present	Present	Resigned

INTERACTION BETWEEN THE BOARD AND MANAGEMENT

Executive management was given access to interact with the Board via various presentations at Board meetings. Non-Executive Directors have access to executive management and may meet without Executive Directors. Such meetings are facilitated through the office of the Company Secretary.

DISCLOSURE OF INTEREST

The Company Secretary is obliged to ensure that the company does not enter into any contracts with any of the business interests of the Directors without such information being considered by the Board to establish the nature and extent of the conflict of interest. All Directors disclose their interest in other companies either in the form of shares held, Directorship or business dealings. No interest in contracts whether directly or indirectly with SA Express were registered during the year under review.

LEGAL AND REGULATORY COMPLIANCE UNIVERSE

The Board is responsible for the legal and regulatory compliance of the company. The Board of SA Express duly recognized that a readily identifiable strategic risk is related to the level and acceptability of compliance with legislative and regulatory requirements. Consequently, SA Express adopted a legal compliance programme which is not only committed to identifying legislation and regulations SA Express is obliged to comply with, but also monitoring the level of compliance within all operational environments of SA Express. This programme is an integral part of the Risk Management and Compliance Framework.

SA Express' Legal and Regulatory Compliance universe is centered on, amongst others, the following key legislation:

THE PUBLIC FINANCE MANAGEMENT ACT, 1999

The Accounting Authority of a public entity is entrusted with the responsibility of ensuring maintenance of effective, efficient and transparent systems of financial and risk management and internal control. Of utmost relevance to SA Express are the requirements of Section 51(1) (iii) with regard to maintenance of a fair, equitable, transparent, competitive and cost effective procurement system; and prevention of irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal misconduct and expenditure not complying with the operational policies of the public entity.

SA Express did not encounter instances of reportable matters in this regard for the year under review. However, SA Express continues with its efforts to improve on the minor identified gaps with a view to claiming full compliance in the successive years.

THE COMPANIES ACT, 2008

This Act set out in Sections 75, the duties of Directors to disclose interests in contracts and associated conduct after disclosure of such interests and the keeping of Minutes of Directors and Managers meetings. SA Express' Directors' duties in relation to these matters were comprehensively fulfilled as is more fully detailed above.

THE AVIATION ACT, 1962

Training of cabin, cockpit and technical maintenance crew, and processes relating to an airline's Technical Maintenance and Repair facilities operations are governed by the provisions of this Act. The South African Civil Aviation Authority (SACAA) accredited Training facilities utilised by SA Express for training of its crew have been endorsed as being compliant with the relevant SACAA regulations. Although there were Technical

Maintenance related incidents which occurred during the year under review, most of these were linked to SA Express' ageing fleet (currently under replacement) and thus SA Express' Airworthiness Maintenance Organisation License was never at risk since these incidents were all well managed under the supervision of the SACAA.

DOMESTIC AIR SERVICES ACT, 1993 & INTERNATIONAL AIR SERVICES ACT, 1990

It is a requirement of this Act that an airline continually demonstrate its financial and safety fitness for purposes of ensuring continued retention of the Operating License. SA Express repeatedly passed this test on the many occasions that it appeared before the Domestic and International Licensing Councils established in terms of these Acts.

The Council has however observed that, as a State Owned Entity, SA Express needs to pay focused attention to compliance with the provisions of the Transport Sector BBBEE Charter and take a lead in this regard. To this end, SA Express was advised to align its operational objectives with those set out in the said Charter. SA Express heeded this call and substantive work and progress has been done in this regard under the guidance of a dedicated member of the Council.

In addition, SA Express is in compliance with the Councils' requirement for the provision of a guarantee (to provide cover for reimbursement to passengers) in the event of the airline's permanent inability to fulfill its contracted responsibility to already ticketed passengers.

COMPETITION ACT, 1999

One of the primary objectives of this law is prohibition of conduct which has the effect of substantially preventing or lessening competition in the market and consequently, to stimulate growth in business opportunities and employment.

SA Express has taken successful strides to date in ensuring that its Agreements with service providers, partners, associates and allies are structured in a manner that entrenches avoidance of anti-competitive practices whilst encouraging competition in the market. To this end, SA Express did not have any encounters with the Competition Commission/Tribunal on aspects relating to alleged contravention of this law.

OCCUPATIONAL HEALTH AND SAFETY ACT, 1993 & NATIONAL ENVIRONMENTAL MANAGEMENT ACT, 2007

Detailed compliance levels of SA Express pertaining to these pieces of legislation are more fully set out in the Sustainability Reporting Section of this Report.

CONSUMER PROTECTION ACT, 2008

This Act seeks to establish a framework for a fair, accessible, efficient, sustainable and responsible consumer market; reduce the disadvantages of accessing goods and services when the consumer is a person in a weaker bargaining position e.g. low income persons or communities, rural communities, the disabled, illiterate, elderly or young and to promote fair business practices.

In preparation for the implementation of this Act which was earmarked to change the way South African businesses are conducted in so far as it relates to consumers, SA Express conducted workshops aimed at educating key personnel about the provisions of the incoming Act. Further, SA Express, in conjunction with other airlines under the umbrella of the Airlines Association of Southern Africa (AASA) made submission to the Minister of the Department of Trade & Industry pertaining to the suitability of some of the provisions of the Act when applied to the airline industry and the proposal of devising an airline Industry Code to deal with some of the cumbersome provisions in a fair and equitable manner.

SA Express has realigned a major part of its

operational activities with the core provisions of the Consumer Act. The requirement for timeous provision of services, timeous communication of inability to render contracted services and provision of alternatives is being reinculcated to all members of staff. It is SA Express' view that the introduction of this Act is assisting in the enhancement of SA Express' service delivery standards to a considerable extent.

BOARD COMMITTEES

In line with the requirements of the King III and Protocol on Corporate Governance, the Audit and Risk, Human Capital and Safety, Health and Environment Committees, duly assisted the Board in discharging its duties and responsibilities. The various Committees continued throughout the year to act and perform functions delegated to them in accordance with clear terms of reference. These Committees met independently of the Board and were all chaired by Non-Executive Directors. The majority of the members of these committees are Non-Executive Directors. In order to function optimally the meetings were attended by Executive management and professionals who were qualified to assist the committees in performing their responsibilities. These Committees were also assisted by the Company Secretary in the performance of their duties.

06 CORPORATE GOVERNANCE REPORT (continued)

Audit and Risk Committee

Comprising:

Ms Matsotso Vuso (Chairperson)

Mr Chris Christodoulou (Non-Executive)

Mr Ndoda Madalane(Non-Executive) (Retired 16 August)

Mr Lesibana Ledwaba (Non-Executive) (Appointed 16 August 2010 at AGM)

Human Resources and Remuneration Committee

Comprising:

Mr Bonang Mohale (Chairperson)

Ms Bridget Ssamula (Non-Executive)

Mr Stavros Nicolaou (Non-Executive) (Retired 16 August 2010)

Mr Ezra Bunyenyezi (Non-Executive)

Mr Vuli Cuba (Non-Executive) (Appointed 16 August at AGM)

Safety, Health and Environmental Committee

Comprising:

Mr Chris Christodoulou (Chairperson)

Mr Glenn Van Heerden (Non-Executive)

Ms Bridget Ssamula (Non-Executive)

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee comprises three Non-Executive Directors and one Executive Director, all of whom possess the necessary degree of financial knowledge, skill, insight and are able to undertake the requisite review of financial reports and statements in compliance with the Companies Act, International Financial Reporting Standards, as well as other applicable legislative requirements and accounting standards – as well as to assist the Board with financial reporting, risk management, integrity of financial statements including internal controls, accounting policies, financial performance and compliance with the Public Finance Management Act, International Financial Reporting Standards and all other applicable legislation in respect of financial matters. In fulfilling its oversight responsibilities, the committee regularly reviewed management accounts and financial statements. This included a discussion on the quality and acceptability of the accounting principles, the reasonableness of significant judgments and the adequacy of disclosures in the financial statements.

With the assistance of the company's external auditors (Nkonki Inc), which is responsible for expressing an opinion on the fair presentation of the financial statements in accordance with

the International Financial Reporting Standards, the Committee reviewed the audited Financial Statements of the company and the quality and acceptability of the accounting principles. Following a review of the Financial Statements for the year ended 31 March 2011, the Committee is pleased to report that the Annual Financial Statements comply in all material respects with the requirements of the Companies Act, 61 of 1973, as amended, the Public Financial Management Act, 1 of 1999 and the International Financial Reporting Standards.

The Audit Committee therefore recommended to the Board the approval of the Annual Financial Statements.

Further, with the assistance of the independent Internal Audit team, the Committee is pleased to report that the following reviews were conducted by KPMG:

- Human Resources review: the overall conclusion was that the controls in the Human Resources are classified as "Acceptable";

- Corporate Governance Review: the overall conclusion was that from a high level review the SA Express Board fully supports the principles of good governance and substantially and progressively complies with the principles incorporated in the King Code III;

- SAP basis review: the overall conclusion based on the results of the procedures performed is that the controls in the SAP basis review are classified as "Acceptable";

- Financial Discipline: the overall conclusion based on the results of the procedure performed is that the controls in the areas reviewed in the Finance function are classified as "Good".

The Committee is also pleased to highlight that KPMG reported that it had unrestricted access to relevant company activities, records, property and personnel. Further, that no such restriction was imposed by any employee or management of SA Express. The Committee also reviewed at each and every meeting the top strategic risk issues facing the company including amongst others, the impact of the global recession on the company and employees financial distress, demand constraints, foreign currency volatility and unstable crude oil prices, cross border risk and cost increments by monopolistic suppliers.

Although the SA Express Board is ultimately responsible for all risk management activities, the oversight responsibility lies with the Audit & Risk Committee. In terms of the Treasury Policy, there is a requirement for establishment of a Financial Risk Sub-Committee which reports to the Audit & Risk Committee via the management (Executive Committee). This Committee was established in line with the delegated authority to executive management by the Board as approved in terms of Section 66 (6) of the Public Finance Management Act by the Minister of Finance.

The following meetings were held during the year under review:

Name	23 April 10	14 Oct 10	9 Nov 10	10 Feb 11
Matsotso Vuso (Chairperson)	Present	Present	Present	Present
Chris Christodoulou	Present	Present	Present	Present
Ndoda Madalane	Present	Retired	Retired	Retired
Siza Mzimela	Present	Resigned	Resigned	Resigned

The Audit Committee reported that it had adopted appropriate formal terms of reference as its Audit Committee Charter, had regulated its affairs in compliance with the Charter, and had attempted to discharge its responsibility as contained in the Charter. In execution of its duties, the Committee has:

- Quarterly reviewed business and other risk and the impact of such on the company;
- Received reports from management on prevention of fraud and unethical conduct. No significant matter was reported through a Whistleblower Hotline managed by KPMG;
- Reviewed reports from both the Internal Auditors and External Auditors regarding the efficacy of the company's internal control systems;
- Approved the yearly internal audit plan for the year under review;
- Reviewed and approved the External Auditors Planning Memorandum;
- Considered and reviewed quarterly management accounts;
- Reviewed the annual report and financial statements for the year under review to ensure that they present a balanced understandable assessment of the position, performance and prospects of the company;
- Reviewed the adequacy, reliability and accuracy of the financial information provided by management;
- Reviewed and recommended to the Board for approval the company's budget for the Financial Year ending 2011/12.

Further, the Committee is pleased to report that where any weaknesses were identified by the internal and external auditors in respect of internal controls, management took corrective measures to reduce or eliminate the risk. The Committee is therefore of the opinion, based on the information from Management, Internal Auditors and External Auditors, that the internal controls of the company have operated efficiently and effectively.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Committee comprises four Non-Executive Directors and one Executive Director. The Committee operated with clear terms of reference and is responsible for the overall competitive remuneration policies and determines on behalf of the Board, the remuneration of Directors. It further determines the terms and conditions of employment of the Executive Directors. In determining the remuneration policies, comparative industry surveys are provided by the company's Human Resources Department to enable the Committee to take heed of issues such as market norms, skills retention and performance of the company. Insofar as the

Directors are concerned, the Committee applies the SOE's Remuneration Guidelines developed by the Department of Public Enterprises.

The Remuneration Philosophy of SA Express is to attract, develop and retain key individuals and reinforce superior performance in order to maximise profitability. The company's remuneration policies are aligned to the strategic objectives of the business. The Committee believes that the company's incentive scheme linked to company and individual employee performance plays a pivotal role in retention of staff. During the year under review the Committee formally adopted the terms and objectives of the Shareholders Compact as the formal Key Performance Indicators (KPI's) for the Chief Executive Officer. The Committee believes the CEO is best placed as the delegated member of the Board to execute the Board's strategic KPI's as agreed with the shareholder. Executive Directors do not have a fixed term of service. All Non-Executive Directors are subject to retirement by rotation and re-election by the shareholder at least once every three years in accordance with the Protocol on Corporate Governance. Despite these, the shareholder is entitled to appoint Directors at every Annual General Meeting. The term of service of the current Board expires on the 31 September 2013.

The Committee met four times during the year under review.

Name	03 May 10	16 Sep 10	11 Nov 09	16 Feb 11
Mr B Mohale (Chairperson)	Apologies	Present	Apologies	Apologies
Ms B Ssamula	Present	Present	Present	Present
Mr E Bunyenyezi	Present	Present	Present	Present
Mr V Cuba	Not yet appointed	Apologies	Apologies	Present
Mr S Nicolaou	Apologies	Retired	Retired	Retired
Ms S Mzimela	Present	Resigned	Resigned	Resigned

The Committee discussed all aspects of remuneration of employees – including that of Executives. The remuneration of employees is, as far as possible, aligned to and influenced by the interests of the shareholder, market indicators, performance of the company and employees' overall contribution towards the growth of the company.

Non-Executive Director's remuneration was not approved by the shareholder at the Annual General Meeting on 16 August 2010, as the SOE Guidelines were under review by the Minister.

REMUNERATION OF EXECUTIVE DIRECTORS AND MANAGEMENT

The remuneration of the Executive Director consists of an annual guaranteed package, plus performance and retention based incentives.

Basic salaries of Executive Directors are set at competitive market rates in terms of the SOE's Remuneration Guidelines and are subject to annual review. The performance of the CEO is assessed at the end of the financial year. The review is based on the performance of the company in terms of the Shareholders Compact. The full details are provided in a table below in this report.

Name	Salary	Post Retirement Benefit Funds Contributions	Other Contributions	Total 2011	
I Ntshanga – CEO	1 602 682.10	168 609.85	82 099.24	1 853 391.19	
DB Allanby	1 322 602.47	171 440.40	92 325.96	1 586 368.83	
A Malola-Phiri	1 341 496.83	102 990.96	109 672.56	1 554 160.35	
JL Green	1 322 496.63	64 174.80	32 558.52	1 419 229.95	
RL Vahed	1 214 226.45	124 460.16	69 783.48	1 408 470.09	
JG Simelane	1 272 674.22	62 277.84	67 455.48	1 402 407.54	
WP Hermanus	1 112 857.59	116 814.48	90 836.76	1 320 508.83	
SS Zulu*	1 039 102.70	111 287.84	62 883.54	1 213 274.08	Terminated 06/12/2010
J Jantjies	1 062 569.78	53 516.80	63 306.96	1 179 393.54	
PB Mashaba	903 669.39	69 529.60	49 286.56	1 022 485.55	

* Settlement of Legal Fees Not Included

Name	Short-Term Incentive	Long-Term Incentive	Total 2011	
SP Mzimela	1 886 266.85	0.00	1 886 266.85	Terminated 31/03/2010
SS Zulu	871 237.09	786 504.00	1 657 741.09	
A Malola-Phiri	584 686.32	547 858.08	1 132 544.40	
I Ntshanga	511 008.25	500 029.20	1 011 037.45	
JL Green	575 418.50	398 227.16	973 645.66	
DB Allanby	599 403.40	351 338.62	950 742.02	
RL Vahed	580 898.68	363 258.02	944 156.70	
JG Simelane	399 860.82	347 322.29	747 183.11	
WP Hermanus	456 764.86	238 078.67	694 843.53	
J Jantjies	340 030.38	255 988.25	596 018.63	
PB Mashaba	330 768.13	154 836.00	485 604.13	
HA Strobele	132 150.56	0.00	132 150.56	Terminated 31/07/2009

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-Executive Directors received retainer fees for their services as Directors and for serving on Board sub-committees in accordance with the SOE's Remuneration Guidelines.

Name	Jul-10	Oct-10	Dec-10	Mar-11	Total
Bonang Mohale	53,980.49	53,980.49	53,980.49	53,980.49	215,921.96
Bridget Ssamula	47,649.12	59,543.86	59,543.86	59,543.86	226,280.07
Chris Christodoulou	70,871.29	70,871.29	70,871.29	70,871.29	283,485.16
Ezra Bunyenyezi	47,649.12	47,649.12	47,649.12	47,649.12	190,596.36
Glenn Van Heerden	47,649.12	47,649.12	47,649.12	47,649.12	190,596.36
Lesibana Ledwaba	Not yet appointed	52,686.03	52,686.03	52,686.03	158,058.09
Lilian Boyle	167,360.11	167,360.11	167,360.11	167,360.11	669,440.44
Matsotso Vuso	62,455.29	62,455.29	62,455.29	62,455.29	249,821.16
Ndoda Madalane	52,665.74	Resigned	Resigned	Resigned	52,665.74
Stavros Nicolaou	47,649.12	Resigned	Resigned	Resigned	47,649.12
Vuli Cuba	Not yet appointed	47,649.12	47,649.12	47,649.12	142,947.36

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

The Committee is comprised of two Non-Executive Directors and one Executive Director. The Executive manager responsible for Safety, Health and Environment attended all the meetings of the Committee. The Committee operated within its delegated terms of reference and reported all activities to the Board at every meeting.

The Committee is pleased to report that during the year under review, SA Express successfully concluded the South African Civil Aviation (SACAA) and IOSA audits. The Committee is further pleased to report that audits were conducted by the internal SA Express team at various airports to ensure compliance with recognised standards. SA Express continued to investigate and evaluate the application of various in-house carbon offset programmes such as:

- Reducing APU utilisation during winter;
- Imposing and insisting that SA Express service providers use environmentally friendly products;
- Taxiing-off aircraft with one engine post landing and monitoring flight deck crew fuel utilisation; and
- Installation of screening machines in Lubumbashi Airport.

The overall key responsibilities of the Committee are to:

- Ensure that issues pertaining to safety, health and environment are aligned to the overall business strategy of the company and are geared towards compliance with international norms and practices;

- Consider and approve the corporate safety, health and environmental strategy and policies;
- Monitor compliance with such strategy and policies;
- Consider and approve major safety, health and environmental projects;
- Ensure that its members are informed about the significant impact on the company in the safety, health and environmental field and how these are managed (process and activities);
- Review the structure, adequacy and effectiveness of the safety, health and environment committee within the Company including review of any terms of reference for the same;
- Review the scope of and results of any safety, health and environment audit and the effectiveness of the company's safety, health and environment policies and procedures and such audit's cost effectiveness and the independence and objectivity of the audit body;
- Consider the major findings of internal and external investigations and management's response thereto and, where necessary make recommendations to the Board in respect of the same; and
- Deal with any other matters formally delegated by the Board to the Committee from time to time.

ATTENDANCE

The Committee met four times during the year under review.

Names	05 May 10	10 Sept 10	05 Nov 10	16 Feb 2011
Chris Christodoulou (Chairperson)	Present	Present	Present	Present
Glenn Van Heerden	Present	Present	Present	Present
Bridget Ssamula	Not yet appointed	Present	Present	Present
Siza Mzimela	Apologies	Present	Present	Resigned

Shareholders compact

Shareholders compact review — Full year

KPI	Unit of measure	Compact	Actual	Target achieved Yes / No
Profitability				
EBIT	Percentage	16%	(9%)	No
Return on Assets	Percentage	16,60%	(16%)	No
Free Cash to ATL	Percentage	74%	43%	No
Turnover	Rb	2.079	1.737	No
Net Profit(Loss) after tax	Rm	238	-187	No
Financial value creation				
Passenger Load factor	Percentage	67%	63%	No
Average Fare	Rands	904	1 028	Yes
RASK	cents	1,18	1,04	No

Shareholders compact (continued)

KPI	Unit of measure	Compact	Actual	Target achieved Yes / No
CASK	cents	0,99	0,87	Yes
RASK (Excluding Fuel Levy)	cents	0,69	0,87	Yes
CASK (Excluding Fuel)	cents	0,74	0,61	Yes
Cargo as a % of Operating Income	Percentage	1,5%	0,70%	No
Fleet				
Daily block Hours per Aircraft (weekdays)	Hours	7,0	6,2	No
On-time performance (within 15 min of scheduled departure time)	Percentage	91%	85%	No
Human Capital				
Training Spend	Percentage	1%	1,8%	Yes
Total staff per aircraft	Ratio	41,38	38,00	Yes
Turnover per employee	Ratio	R 2m	R 1.7m	No
Technical				
Dispatch Reliability	Percentage	97%	97,0%	Yes
Unschedule Downtime	Percentage	85% of scheduled DT	not tracked	No

Comment

The overall performance on the stated KPI's have not been satisfactory, with only 7/18 KPI's achieved. Though the economic operating conditions of the airline were extreme at most, the majority of the performance indicators are interdependent especially in the financial element. Thus non achievement of one will lead to the non achievement of another. The company has placed additional focus on achievement of the shareholders compact and the negotiation of agreed measures which will improve the overall performance.

South African Express Airways (Pty) Ltd

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

The Company Secretary resigned during the year under review and as such the Board states that:

We hereby confirm that in terms of section 268G (d) of the Companies Act, 61 of 1973, to the best of our knowledge and belief, SA Express has lodged with the Registrar of Companies all such returns for the year ended 31 March 2011.

L.G Boyle

Chairperson on behalf of the Board of Directors

Johannesburg

It must be noted that due to the fact that the Board members were, save for Dr. Ssamula, rotated at the AGM on 13 August 2012 and due to the fact that finalisation of the Annual Financial Statements for the year ending 31 March 2012 were mandated to the newly appointed Board members, the operational information contained in this Annual Report is reported on by the previous Board and the Annual Financial Statements are reported on by the newly appointed Board members. Both the Board of Directors and management of South African Express Airways are satisfied with this arrangement which is consistent with all legal requirements and does not expose the company to any risks.

07

FINANCIAL STATEMENTS

FOR YEAR ENDED 31 MARCH 2011

A CLOUD OF ANOTHER COLOUR

Any planet or moon with an atmosphere has clouds but not all are composed of water and ice like on Earth - for instance Saturn has some clouds composed of droplets of pure liquid methane.

07

INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDERS OF SOUTH AFRICAN EXPRESS (SOC) LIMITED

We have audited the Amended Financial Statements for South African Express (SOC) Limited set out on pages 5 to 38, which comprise the statement of financial position as at 31 March 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information. This independent audit report replaces the previously issued audit report on the 28th of July 2011, which relates to the previously withdrawn financial statements on the 25th of November 2011.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the matter discussed in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

The Non-Executive Directors of SA Express (SOC) Ltd have approved the written representations that they have fulfilled their responsibilities for the preparation and fair presentation of the Annual Financial Statements, and in respect of the completeness, validity and accuracy of the adjustments that resulted in these amended financial statements for the year ended 31 March 2011, but the Executive Director (Chief Executive Officer) has abstained from approving such written representations.

A number of significant adjustments made to the financial statements were not substantiated with sufficient and appropriate audit evidence. These include the following:

- The total unrecognised losses since the inception of Congo Express amount to R19 091 307. We were unable to obtain sufficient and appropriate evidence to confirm the completeness and valuation of this amount.

- Aircraft. We were unable to obtain sufficient and appropriate evidence to confirm the existence, completeness and valuation of this adjustment that we considered necessary for the purposes of our audit. The effect of this adjustment on the financial statements is a reduction of retained earnings and property, plant and equipment by R394 714 709.

- Rotables. We were unable to obtain sufficient and appropriate evidence to confirm the existence, completeness and valuation of this adjustment that we considered necessary for the purposes of our audit. The effect of this adjustment on the financial statements is a reduction of retained earnings and property, plant and equipment by R255 312 849.

- Consumables. We were unable to obtain sufficient and appropriate evidence to confirm the existence, completeness and valuation of this adjustment that we considered necessary for the purposes of our audit. The effect of this adjustment on the financial statements is a reduction on retained earnings and inventory by R10 661 844.

- Sundry Debtors. We were unable to obtain sufficient and appropriate evidence to confirm the existence, completeness and valuation of this adjustment that we considered necessary for the purposes of our audit. The effect of this adjustment on the financial statements is a reduction on the retained earnings and accounts receivable by R18 057 217.

- Passenger Taxation. We were unable to obtain sufficient and appropriate evidence to confirm the existence, completeness and valuation of this adjustment that we considered necessary for the purposes of our audit. The effect of this adjustment on the financial statements is a reduction on the retained earnings by R24 244 301.

- Neutrality Advance. We were unable to obtain sufficient and appropriate evidence to confirm the existence, completeness and valuation of this adjustment that we considered necessary for the purposes of our audit. The effect of this adjustment on the financial statements is a reduction on the retained earnings and an increase in liabilities by R22 830 246.

- Note 34 to the financial statements refers to the following prior period adjustments:

o SAP system errors – R25 603 552.

o Non-reversal of provision for dispute settlement – R12 500 000.

o Tax effect still to be allocated – (R12 212 689).

We were unable to obtain sufficient and appropriate evidence to confirm the existence, completeness and valuation of these adjustments that we considered necessary for the purposes of our audit. The effect of these adjustments on the financial statements is a reduction of retained earnings by R25 890 863.

- Taxation Effect of Adjustments - We were unable to obtain sufficient and appropriate evidence to confirm the existence, completeness and valuation of this adjustment that we considered necessary for the purposes of our audit. The effect of this adjustment on the financial statements is an increase in retained earnings by R201 856 374.

- We were not provided with a detailed final forensic report and have therefore been unable to determine whether the detailed findings would have had any impact on the amended annual financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the amended financial statements for South African Express (SOC) Ltd for the year ended 31 March 2011.

EMPHASIS OF MATTER

We draw your attention to the financial statements which indicate that the company incurred a net loss of R187 million for the year ended 31 March 2011 and, the company's cash flow indicates a negative cash generation from operations of R145 million for the year then ended. The unaudited financial statements for the year ended 31 March 2012 indicate the company incurred a net loss of R78 million and, the company's cash flow indicates a negative cash generation from operations of R188 million for the year then ended. The company is also in breach of most of its debt covenants. These facts, along with no documented commitment from the shareholder to financially support the company, indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

We draw attention to Note 8 of the directors' report which indicates that previously issued

financial statements for the year ended 31 March 2011, dated 27 July 2011, have been revised and re-issued.

We draw your attention to Note 34 of the amended annual financial statements which provides a list of the adjustments processed by management for 2009, 2010 and 2011. These amounts do not reconcile to the adjustments schedule provided to the auditors by management.

We draw your attention to a number of departures from the requirements of International Financial Reporting Standards.

- The following adjustments have been incorrectly classified as prior period errors instead of being classified as change in accounting estimates in terms of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors:
  - o Leave Pay Accrual;
  - o Fuel;
  - o Unutilised Ticket Liability; and
  - o Training Bonds.

The effect of the above on the financial statements is to overstate profit before tax for the current year by R90 607 440.

- No disclosure in respect IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: which requires an entity to disclose when it has not applied a new IFRS that has been issued but is not yet effective, the entity shall disclose:
  - o this fact; and
  - o known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.
- No disclosure in respect of FAS 1 - Presentation of Financial Statements, that when an entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity shall disclose:
  - o the nature of the reclassification;
  - o the amount of each item or class of items that is reclassified; and
  - o the reason for the reclassification.

We draw your attention to the absence of the note in the amended annual financial statements for the year ended 31 March 2011 that extensively discusses the reasons for the amendment of the previously issued financial statements and to the earlier report provided by the auditors.

This negatively impacted our ability to comply with International Standard on Auditing (ISA) 560, "Subsequent Events" which obligates the auditor to include in the amended auditor's report an Emphasis of Matter paragraph or Other Matter paragraph referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the auditor.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with our responsibilities in terms of sections 44 and 45 of the Auditing Profession Act 26 of 2005, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of South African Express (SOC) Limited, which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors.

REPORTABLE IRREGULARITY 1 (AS REPORTED TO THE IRBA ON 23 NOVEMBER 2011)

In accordance with International Standard on Auditing (ISA) 580, "Written Representations" auditors can obtain written representations with respect to specific amounts and disclosures in the financial statements. In this context we requested the management of South African Express (Pty) Limited provide us with a written representation as to the classification of an amount in the statement of financial position. This representation was provided to us and formed

part of the evidence in support of our opinion as recorded in our auditor's report for the year ended 31 March 2011. This letter representation letter contained the words which were signed on behalf of the company by an Executive Director:

"We confirm to the best of our knowledge and belief having made such enquiries as we considered necessary for the purposes of informing ourselves." In making enquiries in terms of International Standard on Auditing (ISA) 560, "Subsequent Events" P 14 we discovered that there was reasonable cause to believe that the written representations made to us in terms of the specific representation letter were misleading.

We believed that management did not exercise the required degree of care and skill that is required of management when conducting their duties on behalf of the company. The reason for this belief was that management did not, for the purposes of making such a statement as mentioned above, make sufficient and appropriate enquiries that would enable management to make such a written representation. We believed by making such a written representation management were in contravention of Section 76 (3) of the Companies Act 71 of 2008 which states: *"a Director of a company, when acting in that capacity, must exercise the powers and perform the functions of Director in good faith and for a proper purpose; in the best interests of the company; and with the degree of care, skill and diligence that may reasonably be expected of a person carrying out the same functions in relation to the company as those carried out by that Director; and having the general knowledge, skill and experience of that Director".*

REPORTABLE IRREGULARITY 2 (AS REPORTED TO THE IRBA ON 16 APRIL 2012)

Regulation 25 (2) of the Companies Regulations, 2011 states that a company must keep accounting records in an official language of the Republic, as necessary to provide an adequate information base sufficient to enable the company to satisfy all reporting requirements applicable to it and provide for the compilation of financial statements, and the proper conduct of an audit, or independent review, of its annual financial statements, as applicable for the particular company. We as the auditors of South African Express (Pty) Limited have reason to believe that South African Express (Pty) Limited was not in compliance with the above regulations and as a result the Directors of SAX are in breach of their fiduciary duties. These duties are set out in Section 76 (3) of the Companies Act, 2008 which states: a Director of a company, when acting in that capacity, must exercise the powers and perform the functions of Director in good faith and for a proper purpose; in the best interests of the company; and with the required degree of care, skill and diligence.

The annual financial statements for the year ended 31 March 2011 (approved and issued 28 July 2011) were withdrawn on 25 November 2011 in response to a reportable irregularity reported to IRBA dated 23 November 2011. To date the Directors have not presented any amended financial statements for audit. We had on numerous occasions requested management to provide us with these financial statements, but to no avail. This was a material breach of the Directors' fiduciary duties as it is their statutory duty to prepare annual financial statements and present them for audit. By not preparing financial statements for us to audit by the Directors there was reasonable cause to believe that South African Express (Pty) Limited was in contravention of Regulation 25 (2). As a result we are unable to conduct our legal duties and obligations.

Nkonki Inc.
Mitesh Patel
Registered Auditor
Wednesday, 8 August 2012
3 Simba Road Sunninghill 2157

Directors' Responsibilities and Approval

The Directors are required in terms of the Companies Act of South Africa, The Public Finance Management Act, Treasury Regulations, and Protocol on Corporate Governance in the Public Sector (2002), to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the Directors' responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the Companies Act, Public Finance Management Act, International Financial Reporting Standards (IFRS) and other mandated legislation or guidelines for state owned entities. The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with the Companies Act, Public Finance Management Act, International Financial Reporting Standards (IFRS) and other mandated legislation or guidelines for state owned entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

After the approval of the AFS in August 2011, the Directors resolved to withdraw the AFS on 25 November 2011, following a forensic audit, commissioned by the Directors, into issues raised through the ethics hotline. The AFS for the year ended 31 March 2011 and the comparative years have been reconstructed, taking into account all adjustments arising from matters which came to the attention of management and Directors.

The Directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. As a result of protracted disputes with the external auditors on the correct treatment of past accounting errors, the Directors engaged technical accounting expertise as additional assurance a) to review accounting policies in line with IFRS and internal compliance with those policies and b) to confirm the amendments to the AFS were a fair reflection of the financial position of the company as at 31 March 2011. The opinions received concurred with management's treatment of the adjustments.

The external auditors are responsible for independently reviewing and reporting on the company's Annual Financial Statements. The auditors are still in process with the audit and their report will be incorporated on pages 53 to 56 once complete.

The Annual Financial Statements set out on Pages 60 to 91, which have been prepared on the going concern basis, were approved by the Board on 25 July, 2012 and were signed on its behalf by:

L.G. Boyle | Chairperson: Board
25 July 2012

M.J. Vuso | Chairperson: Audit and Risk Committee
25 July 2012

DIRECTORS' REPORT

The Directors submit their report for the year ended March 31, 2011.

1. REVIEW OF ACTIVITIES

Main business and operations

The company is engaged in aviation and operates principally in the Southern African Region and the African continent.

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

2. GOING CONCERN

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.

3. EVENTS AFTER THE REPORTING PERIOD

SA Express entered into lease agreements between August and October 2011 for nine (9) Q400 aircraft. These aircraft came into service during the fourth quarter of 2011.

Seven (7) Dash 8 300 of the aircraft in the fleet were sold and a further two (2) are planned to be sold during June 2012.

4. DIRECTORS' INTEREST IN CONTRACTS

To our knowledge none of the Directors had any interest in contracts entered into during the period under review. Directors and employees declaration of interest is a standing item at all meetings of the Board and its committees.

5. NON-CURRENT ASSETS HELD FOR SALE

The company's Board of Directors passed a resolution to dispose of the company's ageing fleet during a meeting held in November 2010. An application in compliance with the Public Finance Management Act (PFMA) section 54 was lodged with the Minister of Public Enterprise and notification was also submitted to National Treasury in compliance with section 54 of the PFMA. An approval was granted by the Minister of Department of Public Enterprise during May 2011. The assets held for sale (Aircrafts and Rotables) ceased depreciating immediately after the Board resolution.

Four (4) of the thirteen (13) owned aircraft, were subsequently reclassified as PPE due to the fact that suitable buyers were not found.

6. BORROWING LIMITATIONS

In terms of the Memorandum of Incorporation of the company, the Directors may exercise all the powers of the company to borrow money, as they consider appropriate, within the mandate of the Public Finance Management Act of 1999.

7. DIVIDENDS

No dividends were paid or proposed.

8. WITHDRAWAL

Subsequent to the issuing and approval of the original Annual Financial Statements by the Board on 27 July 2011, they were withdrawn due to various material errors identified. The errors and changes have been effected and disclosed in the revised Annual Financial Statements.

9. DIRECTORS

The Directors of the company during the year and up to the date of issue of this report are as follows:

Name	Changes
L.G. Boyle	
I. Ntshanga	Appointed September 01, 2010
S.P. Mzimela	Resigned April 30, 2010
E. Bunyenyezi	
V. Cuba	Appointed September 01, 2010
C. Christodoulou	
L. Ledwaba	Appointed September 01, 2010
N.A. Madalane	Resigned August 30, 2010
B.F. Mohale	
S. Nicolaou	Resigned August 30, 2010
B. Ssamula	
M.J. Vuso	
G. Van Heerden	
S.S. Zulu	Resigned December 06, 2010

10. COMPANY SECRETARY

G.N. Mothema resigned as secretary of the company effective November 11, 2010. Morestat Corporate Services (Pty) Ltd was appointed, effective this date and resigned on April 30, 2011. Subsequently E. Isenschmid was appointed effective May 01, 2011.

11. SHAREHOLDER

There has been no changes in ownership and the shareholder remains the Government of the Republic of South Africa, represented by the Department of Public Enterprises.

12. DISCONTINUED INTEREST IN ASSOCIATE COMPANY

Details | Country of incorporation if not the RSA Congo Express Sprl | Democratic Republic of the Congo

During a Board meeting held in November 2010, the Board passed a resolution to dispose of the company's shareholding in Congo Express Sprl. An application was lodged with the Minister of Public Enterprise for an approval to sell the company's shareholding in Congo Express Sprl and notification to the National Treasury in compliance with section 54 of the PFMA. In principle approval for the sale of the shares was made by the Minister during May 2011.

13. DEBT IMPAIRED

Congo Express Sprl has been incurring losses since inception and experiencing cash flow challenges. As a result Congo Express Sprl has been unable to pay its debts as and when they became due. The cash shortages were funded by SA Express which resulted in a material amount being owed to SA Express. At March 31, 2011 Congo Express Sprl were unable to repay the amount owing to SA Express and the Board of Directors felt it was prudent to impair the entire amount of loan and trade debtor owed by Congo Express Sprl. The amount impaired was R39 million. The company reserve its right to pursue any legal proceedings to recover the debt.

14. AUDITORS

Nkonki Incorporated were the auditors for the year under review.

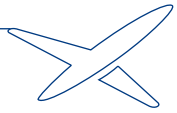
15. PUBLIC FINANCE MANAGEMENT ACT (PFMA) APPLICATIONS

Section 54 (2) for fleet renewal, acquisition of the new fleet and disposal of the current ageing fleet.

Section 54 for the disposal of the company's shareholding interest in Congo Express and a futher resolution to withdraw from the investment.

Section 54 (2) for an application with regards to the Durban Regional expansion.

Refer to note 32 of the annual financial statements for more details relating to the above applications.



Statement of Financial Position

Figures in Rand	Note(s)	Restated 2011	Restated 2010	Restated 2009
ASSETS				
Non-Current Assets				
Property, plant and equipment	4	145,343,073	509,560,629	433,414,883
Intangible assets	5	8,756,651	9,082,309	3,196,616
Investment in Congo Express Sprl	7	-	3,659,491	-
Other financial assets	8	64,642,240	60,069,770	55,000,000
Deferred tax	9	-	-	14,015,318
		218,741,964	582,372,199	505,626,817
Current Assets				
Inventories	10	75,491,661	60,850,071	77,882,304
Other financial assets	8	-	-	9,981,469
Current tax receivable		92,481,987	56,588,547	-
Trade and other receivables	11	419,896,801	341,686,610	366,273,732
Cash and cash equivalents	12	88,341,561	74,318,801	79,651,811
		676,212,010	533,444,029	533,789,316
Non-Current assets held for sale	33	241,696,475	-	-
Total Assets		1,136,650,449	1,115,816,228	1,039,416,133
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13	501,837,518	501,837,518	56,837,518
Shareholder convertible loan	14	356,954,972	356,954,972	801,954,972
Retained earnings		(396,265,973)	(209,298,280)	(258,441,126)
		462,526,517	649,494,210	600,351,364
LIABILITIES				
Non-Current Liabilities				
Long term borrowings	15	200,000,000	-	28,675,563
Deferred tax	9	-	13,736,726	-
		200,000,000	13,736,726	28,675,563
Current Liabilities				
Current portion of the long term borrowings	15	-	27,679,089	39,323,923
Trade and other payables	17	283,360,955	241,085,118	303,282,791
Neutrality advance	16	177,266,915	177,266,915	67,782,492
Bank overdraft	12	13,496,062	6,554,170	-
		474,123,932	452,585,292	410,389,206
Total Liabilities		674,123,932	466,322,018	439,064,769
Total Equity and Liabilities		1,136,650,449	1,115,816,228	1,039,416,133

Statement of Comprehensive Income

Figures in Rand	Note(s)	Restated 2011	Restated 2010
CONTINUING OPERATIONS			
Revenue	18	1,643,572,292	1,574,554,135
Other income		93,459,715	34,621,140
Operating expenses		(1,878,847,916)	(1,480,932,006)
Operating (loss) profit	**19**	**(141,815,909)**	**128,243,269**
Investment income	20	12,593,293	16,280,034
Reclassification adjustment		-	46,788,931
Foreign exchange differences		1,371,201	8,347,633
Impairment of PPE	32	(61,238,415)	(84,644,064)
Finance costs		(11,596,469)	(6,231,190)
(Loss) profit before taxation		**(200,686,299)**	**108,784,613**
Taxation	21	13,736,726	(27,752,043)
(Loss) profit from continuing operations		**(186,949,573)**	**81,032,570**
DISCONTINUED OPERATIONS			
Loss from discontinued operation		(18,120)	-
(Loss) profit for the year		**(186,967,693)**	**81,032,570**
Total comprehensive (loss) income		**(186,967,693)**	**81,032,570**
NET PROFIT ATTRIBUTABLE TO SHAREHOLDER			
(Loss) profit for the year from continuing operations		(186,949,573)	81,032,570
Loss for the year from discontinuing operation		(18,120)	-
Profit for the year attributable to shareholder		**(186,967,693)**	**81,032,570**

Statement of Changes in Equity

Figures in rand	Share capital	Share premium	Total share capital	Share-holder convertible loan	Retained earnings	Total equity
Balance at April 01, 2009	102	56,837,416	56,837,518	801,954,972	84,597,771	943,390,261
Adjustments						
Prior period error	-	-	-	-	(343,038,897)	(343,038,897)
Balance at April 01, 2009 as restated	102	56,837,416	56,837,518	801,954,972	(258,441,126)	600,351,364
Changes in equity for the year						
Total comprehensive income for the year	-	-	-	-	81,032,570	81,032,570
Convertible bond - equity component	350	444,999,650	445,000,000	(445,000,000)	-	-
Prior period error	-	-	-	-	(31,889,724)	(31,889,724)
Total changes	350	444,999,650	445,000,000	(445,000,000)	49,142,846	49,142,846
Balance at April 01, 2010	452	501,837,066	501,837,518	356,954,972	(209,298,280)	649,494,210
Changes in equity for the year						
Total comprehensive loss for the year	-	-	-	-	(186,967,693)	(186,967,693)
Total changes	-	-	-	-	(186,967,693)	(186,967,693)
Balance at March 31, 2011	452	501,837,066	501,837,518	356,954,972	(396,265,973)	462,526,517
Note(s)	13	13	13	14	34	

Statement of Cash Flows

Figures in Rand	Note(s)	Restated 2011	Restated 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,557,647,282	1,526,757,475
Cash paid to suppliers and employees		(1,668,439,650)	(1,384,938,477)
Cash used in operations	24	(110,792,368)	141,818,998
Investment income		12,593,293	16,280,034
Finance costs		(11,596,469)	(6,231,190)
Tax paid	25	(35,893,440)	(56,588,547)
Net cash (used in)/generated from operating activities		(145,688,984)	95,279,295
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(19,012,990)	(166,566,473)
Sale of property, plant and equipment	4	-	17,243
Purchase of other intangible assets	5	(538,070)	(6,121,780)
Loans advanced to associate		-	(3,659,491)
Net cash used in investing activities		(19,551,060)	(176,330,501)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		172,320,912	-
Repayment of long term borrowings		-	(40,320,397)
Proceeds from neutrality advance		-	109,484,423
Net cash from financing activities		172,320,912	69,164,026
Total cash movement for the year		7,080,868	(11,887,180)
Cash and cash equivalents at beginning of period		67,764,631	79,651,811
Cash and cash equivalents at the end of the period	12	74,845,499	67,764,631

Accounting Policies

1. Presentation of Annual Financial Statements

The company's financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRS), and Interpretations issued by the International Accounting Standards Board (IASB), the requirements of the South African Companies Act and Public Finance Management Act. A summary of significant accounting policies is set out in note 1. The measurement basis used in preparing the financial statements is historical cost, except for investments in trading securities and available for sale financial assets, which are stated at fair value, and non-current assets and disposal groups held for sale, which are stated at the lower of their carrying amount and fair value less costs to sell.

These accounting policies are consistent with the previous period.

In terms of Treasury Regulation 28.1.6, the company is required to present its annual financial statements in terms of International Financial Reporting Standards (IFRS), however the Accountant General has issued an approval for public entities listed in Schedule 2 of Public Finance Management Act in line with section 79 of PFMA to present the annual financial statements using IFRS.

1.1 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

Major spare parts, which are expected to be used for more than one year, are recognised as property, plant and equipment.

Subsequent to initial recognition, major spare parts are depreciated over their estimated useful lives on the same basis as other property, plant and equipment items.

Subsequent costs incurred to maintain major spare parts are assessed to determine if they qualify for capitalisation or whether they should be expensed as repairs and maintenance when they are incurred.

Major inspection and overhaul costs, which are a condition of continuing use of an item of property, plant and equipment, of which it is probable that future economic benefits are expected to flow to the entity and related costs can be measured reliably, are capitalised as part of property, plant and equipment.

Any remaining major inspection or overhaul costs from the previous inspection are derecognised.

Major inspection and overhaul costs are depreciated from the date of initial recognition until the next maintenance event.

Costs that do not qualify as major inspection and overhaul costs are expensed as incurred.

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

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

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

Asset class	Useful life
Plant and machinery	5 years
Furniture and fixtures	3 years
Motor vehicles	5 years
IT equipment	3 years
Leasehold improvements	20 years
Property, plant and equipment	
• Airframes	20 years
• Interior seats	8 years
• Engines	20 years
• Engine overhauls	5 years
• Rotables	5 years
• C-Checks	2 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period and adjusted if appropriate. If expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

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

1.2 Maintenance reserves

Maintenance reserves are payments made to certain lessors in terms of the aircraft lease contracts. The lessors are contractually obligated to reimburse the entity for the qualifying maintenance expenditure incurred on aircraft if the aircraft has a maintenance reserves credit.

Unutilised maintenance reserves at the expiry of the lease term are not refundable. Maintenance reserves are recognised as an asset. The recoverability of the reserve asset is assessed against the entity's ability to claim against future maintenance events.

The reimbursement amounts claimed from lessor in respect of qualifying maintenance are transferred to trade and other receivables until actually received.

Maintenance costs claimed from the lessor are only recognised as assets if the work has been performed and it appears reasonable that the amounts claimed are recoverable in terms of the aircraft maintenance contract and based on the available balance in the maintenance reserve account.

The costs incurred to maintain the aircraft are capitalised or expensed based on the criteria for subsequent costs under the property, plant and equipment accounting policy. Capitalised costs are depreciated over their estimated useful lives.

1.3 Maintenance plans (Including power by the hour agreements)

Payments made to a service provider under full maintenance programs (FMP's) are recognised as an expense when incurred.

1.4 Right of use of spare parts

Costs incurred relating to the right of use by SA Express for component pool, which allows it access to serviceable components and access to the home based stock in order to fulfil its short term requirements and reach technical dispatch reliability are expensed as incurred.

1.5 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and any capitalised borrowing costs. Other development expenditure is recognised in profit and loss as incurred.

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

The amortisation period and the amortisation method for intangible assets are reviewed every period end and any changes are accounted for as a change in estimates.

When the useful life of an intangible asset that was originally assessed to have be indefinite is reassessed to have a finite useful life, this is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets and the related cost is expensed as incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is provided to write down the intangible assets, on a straight line basis from the date that they are available for use, to their residual values as follows:

Asset class	Useful life
Trademarks - Design Cost	5 years
Computer software, internally generated	3 years

1.6 Investments in associates

An investment in an associate is accounted for using the equity method and is initially recognised at cost. The cost of the investment includes transaction costs.

Subsequent to initial recognition, the initial cost of the investment in associate is adjusted with post acquisition profits or losses, from the date that significant influence commences until the date that significant influence ceases.

When the company's share of losses exceeds its interest in the associate, the carrying amount of that interest, including any long term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the company has an obligation or has made payments on behalf of the investee.

1.7 Financial instruments

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

1.8 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Tax expenses

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

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

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

1.9 Leases

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. Lease incentives received are recognised as an integral part of the total expense, over the term of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The liability is not discounted.

Contingent lease payments are accounted for as an expense when the payments are confirmed.

1.10 Inventories

Inventories consist of consumable spares in stockholding to support Technical Maintenance.

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

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

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

1.11 Non-current assets held for sale

Non current assets or disposal groups comprising assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets or a component of a disposal group classified as such are measured using the applicable IFRS immediately before classification. Once reclassified, the assets (or disposal group) are measured at the lower of their carrying amount fair value less costs to sell at the date when it is initially classified as held for sale.

A non-current asset is not depreciated or amortised once it is classified as held for sale, or while it is part of a disposal group classified as held for sale. In addition, equity accounting of equity accounted investees ceases once classified as held for sale.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefits, which continue to be measured in accordance with the applicable IFRSs.

Impairment losses on initial classification as held for sale assets are recognised in the profit and loss. Gains and losses on subsequent measurement are included in the profit or loss for the period.

1.12 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset or CGU.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce goodwill (if any), and to other assets in the CGU on a pro-rata basis. Any impairment loss of a revalued asset or CGU is treated as a revaluation decrease,

- first, to reduce the carrying amount of any goodwill allocated to the cash generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Share capital and reserves

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

Ordinary shares are classified as equity. Incremental costs directly attributable to the

issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Shareholders' loans are classified as equity if they are redeemable in the form of conversion to equity instruments or redeemable at the company's option.

Shareholders' loans are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholder.

1.14 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the cash flows expected to be required to settle the obligation. The unwinding of the discount is recognised as finance cost.

Provisions are not recognised for future operating costs or losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. A contract is regarded as onerous when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with it. Before a provision is established, the company recognises any impairment loss on the assets associated with the contract.

1.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax. Revenue consists of passenger airline revenue, cargo, third party maintenance from technical services, and release of unutilised air tickets.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date, being to the extent that the company has delivered the related service.

Air tickets that remain unutilised after a 6 months period are released to revenue. The estimate is based on historical statistics and data that takes into account the terms and conditions for various tickets types.

1.16 Finance costs

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Translation of foreign currencies

Foreign currency transactions

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

1.17 Translation of foreign currencies (cont.)

At the end of the reporting period:

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

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

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

1.18 Financial Guarantee Contracts

Financial guarantees are initially measured at fair value. Financial guarantees are subsequently measured at the higher of the amount determined in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18: Revenue. Financial guarantee contracts are derecognised when SA Express' contractual obligations are discharged or cancelled or expire.

Notes to the Annual Financial Statements

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The annual financial statements have been prepared in accordance with Companies Act, Public Finance Management Act, International Financial Reporting Standards (IFRS) and other mandated legislation or guidelines for state owned entities on a basis consistent with the prior year except for the adoption of the following new or revised standards.

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations not yet effective

The Directors have reviewed all standards and interpretations issued but not yet effective at the authorisation of the financial statements and have concluded that the above standards will have an impact on the entities future financial statements.

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after April 01, 2011 or later periods:

Amendment to IAS 1 Presentation of Financial Statements

The amendment to IAS 1 will be adopted by SA Express Airways for the first time for its financial reporting period ending 31 March 2014.

The company will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub categories will be shown separately.

This is a change in presentation and will have

no impact on the recognition or measurement of items in the financial statements.

This amendment will be applied retrospectively and the comparative information will be restated.

IAS 24 (Revised) Related Party Disclosures

IAS 24 (revised) will be adopted by SA Express for the first time in its financial reporting period ending 31 March 2012. The standard will be applied retrospectively.

IAS 24 (revised) addresses the disclosure requirements of related parties, with the main changes relating to the definition of a related party and the disclosure requirement by government related entities.

The change in the definition of a related party may result in a number of new related party relationships being identified.

SA Express will have to provide the following disclosures; name of the government and nature of the relationship, nature and amount of each individually significant transaction and a qualitative or quantitative indication of the extent of other transaction that are collectively, but not individually significant.

Amendments to IAS 19 Employee Benefits: Defined benefit plans

The amendments to IAS 19 will be adopted by SA Express Airways for the first time for its financial reporting period ending 31 March 2014.

In terms of the amendments, the following key changes will have an impact on the company:

- Actuarial gains and losses are recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss is no longer permitted.
- Past service costs as well as gains and losses on curtailments/settlements are recognised in profit or loss.
- Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation.
- The definitions of short term and other long term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled.

SA Express Airways will not be impacted by the amendments relating to defined benefits plan.

Management will classify employee benefits between short term and long term benefits depending on their expectations regarding the payments to employees.

IFRS 9 (2009) Financial Instruments

IFRS 9 will be adopted by SA Express Airways for the first time for its financial reporting period ending 31 March 2016. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

IFRS 9 (2009) may change the classification of financial assets from amortised cost measurement to fair value depending on the characteristics of the relevant receivable.

3. NEW STANDARDS AND INTERPRETATIONS (cont.)

IFRS 9 (2010) Financial Instruments

IFRS 9 (2010) will be adopted by SA Express Airways for the first time for its financial reporting period ending 31 March 2016. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 (2010) addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

- fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented on profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

IFRS 9 (2010) is not expected to change the manner in which the current financial liabilities are accounted and measured.

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 will be adopted by SA Express Airways for the first time for its financial reporting period ending 31 March 2014.

IFRS 12 combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities.

The required disclosures aim to provide information to enable user to evaluate:

- The nature of, and risks associated with, an entity's interests in other entities, and

- The effects of those interests on the entity's financial position, financial performance and cash flows.

The adoption of the new standard may increase the level of disclosure provided for the entity's interests in any existing structured entities or associates.

IFRS 13 Fair Value Measurement

IFRS 13 will be adopted by SA Express Airways for the first time for its financial reporting period ending 31 March 2014. The standard will be applied prospectively and comparatives will not be restated.

IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in IFRS 13 are as follows:

- Fair value is an exit price;

- Measurement considers characteristics of the asset or liability and not entity specific characteristics;

- Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;

- Price is not adjusted for transaction costs;
- Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs; and
- The three level fair value hierarchy is extended to all fair value measurements.

IFRS 13 may have an impact on SA Express to the extent that fair value is used to recognise financial instruments initially and provision of financial instrument disclosures and any other situation where fair value is used to measure the amounts included in the financial statements.

Improvements to IFRSs 2010

Management will assess the impact of each improvement prior to adoption.

4. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	Restated 2011			Restated 2010		
	Cost	Accumulated depreciation and impairment loss	Carrying value	Cost	Accumulated depreciation and impairment loss	Carrying value
Leasehold property – Aircraft	16,404,770	(11,731,152)	4,673,618	12,547,511	(7,148,106)	5,399,405
Plant and machinery	25,908,372	(22,946,753)	2,961,619	25,417,238	(20,315,701)	5,101,537
Motor vehicles	3,932,881	(2,985,609)	947,272	3,303,402	(2,813,896)	489,506
Rotables	-	-	-	167,058,532	(5,012,857)	162,045,675
Leasehold improvements	672,172	(514,100)	158,072	672,172	(434,974)	237,198
Aircraft	373,408,627	(236,806,672)	136,601,955	1,357,365,371	(1,031,298,283)	326,067,088
Containers	5,650	(5,113)	537	5,650	(5,022)	628
Capital Work in Progress	-	-	-	10,219,592	-	10,219,592
Total	**420,332,472**	**(274,989,399)**	**145,343,073**	**1,576,589,468**	**(1,067,028,839)**	**509,560,629**

Reconciliation of property, plant and equipment – 2011

	Opening balance	Additions	Classified as held for sale	Transfers, Other changes	Depreciation	Impairment loss	Total
Leasehold improvements – Aircraft	5,399,405	-	-	3,857,258	(4,583,045)	-	4,673,618
Plant and machinery	5,101,537	2,400	-	488,734	(2,631,052)	-	2,961,619
Motor vehicles	489,506	-	-	629,479	(171,713)	-	947,272
Rotables	162,045,675	-	(131,344,422)	5,365,159	(36,066,412)	-	-
Leasehold improvements	237,198	-	-	-	(79,126)	-	158,072
Aircraft	326,067,088	-	(110,352,053)	18,286,403	(36,764,216)	(60,635,267)	136,601,955
Containers	628	-	-	-	(91)	-	537
Capital Work in Progress	10,219,592	19,010,590	-	(28,627,033)	-	(603,149)	-
	509,560,629	**19,012,990**	**(241,696,475)**	**-**	**(80,295,655)**	**(61,238,416)**	**145,343,073**

4. PROPERTY, PLANT AND EQUIPMENT (cont.)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Opening balance of inventory reclassified	Transfers	Revaluation adjustment	Depreciation	Impairment loss	Total
Leasehold improvements-Aircraft	3,732,298	-	-	-	6,143,474	-	(4,476,367)	-	5,399,405
Plant and machinery	7,631,234	-	(18,062)	-	1,594,849	-	(4,106,484)	-	5,101,537
Motor vehicles	651,004	-	(37,359)	-	-	-	(124,139)	-	489,506
Rotables	-	-	-	-	120,269,601	46,788,931	(5,012,857)	-	162,045,675
Inventory reclassified as rotables	-	100,157,792	-	20,111,809	(120,269,601)	-	-	-	-
Leasehold improvements	316,324	-	-	-	-	-	(79,126)	-	237,198
Aircraft	383,618,054	-	-	-	73,381,662	-	(59,517,972)	(71,414,656)	326,067,088
Containers	719	-	-	-	-	-	(91)	-	628
Capital work in progress	37,465,250	66,408,681	-	-	(81,119,985)	-	-	(12,534,354)	10,219,592
	433,414,883	166,566,473	(55,421)	20,111,809	-	46,788,931	(73,317,036)	(83,949,010)	509,560,629

5. INTANGIBLE ASSETS

Figures in Rand	Restated 2011			Restated 2010		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer packages	2,281,375	(844,814)	1,436,561	1,981,911	(151,086)	1,830,825
Computer packages under development	6,725,090	-	6,725,090	6,486,484	-	6,486,484
Uniform design	850,000	(255,000)	595,000	850,000	(85,000)	765,000
Total	9,856,465	(1,099,814)	8,756,651	9,318,395	(236,086)	9,082,309

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer packages	1,830,825	299,464	(693,728)	1,436,561
Intangible assets under development	6,486,484	238,606	-	6,725,090
Uniform Design	765,000	-	(170,000)	595,000
	9,082,309	538,070	(863,728)	8,756,651

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer packages	-	1,981,912	(151,087)	1,830,825
Intangible assets under development	3,196,616	3,289,868	-	6,486,484
Uniform Design	-	850,000	(85,000)	765,000
	3,196,616	6,121,780	(236,087)	9,082,309

6. INVESTMENTS IN ASSOCIATES

Name of company	% holding 2011	% holding 2010
Congo Express Sprl %	49%	49%

SA Express acquired a 49% investment in Congo Express Sprl at its inception during the 2010 financial year. Congo Express financial year end is December 31. The carrying amounts of Associates are shown net of impairment losses limited to the cost of investment.

Summary of groups interest in associate

	2011	2010
Total assets	231,928	-
Total liabilities	19,323,235	-
Revenue	15,547,392	-
Loss	19,091,307	-

Associates with different reporting dates

The reporting date of Congo Express Sprl is December 31. This was the reporting date established when the company was incorporated, and a change of reporting date is not permited in Democratic Republic of Congo. for the purpose of applying the equity method of accounting, the financial statements of COX for the year ended December 31, 2010 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and March 31, 2011.

Unrecognised share of losses in associate

The company's cost of investment in Congo Express Sprl amounts to R18 120 and the company has no obligation for any losses of the associate. SA Express share of unrecognised losses since the inception of Congo Express Sprl amount to R19, 091, 307.

7. LOANS TO ASSOCIATE

	2011	2010
Congo Express Sprl (COX)	3,659,491	3,659,491
	3,659,491	3,659,491
Impairment of loan	(3,659,491)	-
	-	3,659,491

The loan represents pre-incorporation expenses paid by SA Express on behalf of Congo Express Sprl. The repayment terms was 24 months at an interest rate of prime +5%. Congo Express was unable to make any repayment towards the loan. As a result, SA Express impaired the entire amount during 2011 financial year.

The Board of SA Express Airways passed a resolution in November 2010 to dispose of the shareholding of Congo Express Sprl.

8. OTHER FINANCIAL ASSETS

Figures in Rand	2011	2010
HELD TO MATURITY		
Standard Bank Investment This investment is held for a fixed term of 5 years, at a revolving fixed rate of JIBAR +.99 basis points.	64,642,240	60,069,770
NON-CURRENT ASSETS		
Held to maturity	64,642,240	60,069,770

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

This has been ceded as a pre-condition to the unbundling transaction.

9. DEFERRED TAX

Reconciliation of deferred tax (liability)/asset		
At the beginning of the year	(13,736,726)	14,015,318
Temporary differences	13,736,726	(27,752,044)
		(13,736,726)

Unrecognised deferred tax asset

Due to losses that are currently being incurred no deferred tax asset has been recognised.

10. INVENTORIES

Inventories	86,153,505	60,850,071
	86,153,505	60,850,071
Inventories (write down)	(10,661,844)	-
	75,491,661	60,850,071

11. TRADE AND OTHER RECEIVABLES

Employee costs in advance	5,044,168	6,803,144	8,982,899
Deposits	12,924,532	21,250,202	29,383,518
Prepayments	60,072,143	35,530,597	13,120,905
Trade receivables	310,206,158	250,426,537	278,347,168
Value Added Tax	31,649,800	27,676,130	36,439,242
	419,896,801	341,686,610	366,273,732

Trade and other receivables past due but not impaired

The receivables disclosed above include amounts that are past due at the end of the reporting period for which the company has not recognised an impairment allowance because there has not been a significant change in credit quality, the amounts are still considered recoverable.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2,745,307	-
3 months past due	5,041,826	2,170,034

Trade and other receivables impaired

No impairment allowance was made in 2011 with regards to bad debts. An amount of R 1,271,171 was provided for in 2010.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in Rand	2011	2010
Cash on hand	60 635	70 639
Short-term	88 280 326	74 248 163
	88 341 961	74 318 802
Bank overdraft	13 496 062	6 554 170
Current assets	88 341 961	74 318 802
Current liabilities	13 496 062	6 554 170

13. SHARE CAPITAL

Authorised		
1000 Ordinary shares of R1 each	1,000	1,000
Reconciliation of the number of shares issued:		
Reported at the beginning of the financial year	452	102
Subscription of shares – ordinary shares	-	350
	452	452
Issued		
452 Ordinary Shares of R1 each	452	452
Share premium	501,837,066	501,837,066
	501,837,518	501,837,518

14. SHAREHOLDER CONVERTIBLE LOAN

Capital reserves comprise instruments such as shareholders loans (Department of Public Enterprises), where the company has no contractual obligation to deliver cash or another financial asset to the shareholder and the instrument will or may be settled in the issuer's own equity instruments, if ever called upon.

Shareholder's loan	356,954,972	356,954,972

15. LONG-TERM BORROWINGS

Held at amortised cost		
Nedbank Ltd	-	27,679,089
This loan represents a conditional sale agreement repayable in quarterly instalments at an average of R14m and bearing interest at an average rate of 13.55% per annum.		
Nedbank Ltd	200,000,000	-
This loan represents a revolving credit facility repayable in 5 years time at rate of 8.65%. The interest on loan is payable quarterly.		
	200,000,000	27,679,089
Non-current liabilities		
At amortised cost	200,000,000	-
Current liabilities		
At amortised cost	200,000,000	27,679,089

16. NEUTRALITY ADVANCE/UTL ADVANCE

The determination of the pre-payment to SA Express Airways are adjusted quarterly to provide cash neutrality to both South African Airways and SA Express Airways to compensate the company for the loss of interest caused by the 45 days delay in receiving revenue.

South African Airways can request repayment of this balance pending unfair conditions. If this is the case, the repayments will be required to be in 12 equal installments. Based on this information the neutrality advance has been reclassified to current liabilities.

Figures in Rand	2011	2010
Description		
Opening Balance	177,266,915	177,266,915

17. TRADE AND OTHER PAYABLES

Accrued interest	1,394,130	233,162	3,731,916
Accrued leave pay	13,938,517	14,346,672	9,415,875
Accrued long term incentives	8,467,948	8,989,449	13,828,000
Accrued salaries and wages	7,898,714	55,635,596	32,272,813
Passenger service charge	3,717,994	-	-
Workmens compensation	1,720,616	1,286,674	964,050
Trade payables	246,223,036	160,593,565	243,070,137
	283,360,955	241,085,118	303,282,791

18. REVENUE

Fuel Levy	235,822,740	261,893,163
Passenger	1,338,579,968	1,244,897,622
Cargo	12,792,417	13,004,507
Release of unutilised air traffic liability to revenue	56,377,167	54,758,843
	1,643,572,292	1,574,554,135

19. OPERATING (LOSS) PROFIT

Operating (loss)/profit was determined taking into account the items listed below:		
• Premises	10,914,001	7,437,195
• Motor vehicles	680,094	318,691
• Equipment	5,886,934	5,436,325
• Aircraft	135,095,654	129,087,184
	152,576,683	142,279,395
Amortisation on intangible assets	863,729	236,086
Depreciation on property, plant and equipment	80,295,659	73,316,837
Employee costs	382,939,432	367,233,984
Impairment of shareholders loan in COX	3,659,491	-
Impairment of COX trade receivables	35,910,649	-
Impairment of PPE	61,238,415	84,644,064

20. INVESTMENT INCOME

Interest revenue		
Bank	12,593,293	16,280,034

21. TAXATION

Figures in Rand	2011	2010
Major components of the tax income		
Current		
Local income tax – Current period	-	80,815,045
Deferred		
Deferred tax – Current year	(13,736,726)	(53,063,002)
Deferred tax – Prior year under provision	-	-
	(13,736,726)	(53,063,002)
	(13,736,726)	27,752,043
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and effective tax rate.		
Applicable tax rate	28.00%	28.00%
Non-deductible expenses	(4.00)%	-%
Deferred tax asset not raised	(19.00)%	-%
Other	-%	(9.00)%
	5.00%	19.00%

22. AUDITORS' REMUNERATION

External auditors	1,933,494	2,227,851
Internal auditors	706,320	744,959
	2,639,814	2,972,810

23. OPERATING LEASE COMMITMENTS

Operating lease requirements for the business relates to the leases from aircraft lessors. These leases are dollar denominated and were converted using year end rate of R7.31:1 USD.,

Details of commitments		
Payable within 1 year	94,983,012	153,829,467
Payable within 2-5 years	100,318,701	367,008,760
Over 5 years	440,804,822	-
	636,106,535	520,838,227

24. CASH USED IN OPERATIONS

Loss before taxation	(200,686,299)	108,784,613
Adjustments for:		
Depreciation and amortisation	81,159,388	73,552,923
Impairment of PPE	61,238,415	84,644,064
Loss on sale of PPE	-	(113,697)
Interest received	(12,593,293)	(16,280,034)
Finance costs	11,596,469	6,231,190
Fair value adjustments foreign exchange	(1,371,201)	8,347,633)
Consumable and deposit write down	10,679,367	-
Other non-cash items	440,106	(39,285,177)
Reclassification adjustment	-	(46,788,931)
Changes in working capital:		
Inventories	(25,303,434)	17,032,233
Trade and other receivables	(78,227,723)	24,587,120
Trade and other payables	42,275,837	(62,197,673)
	(110,792,368)	(56,588,547)

25. TAX PAID

Figures in Rand	2011	2010
Balance at the beginning of the year	(56,588,547)	-
Balance at the end of the year	(92,481,987)	(56,588,547)
	(35,893,440)	(56,588,547)

26. CONTINGENCIES

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

Air Traffic and Navigation Services Company Limited	R 9 950 000
Airport Company of South Africa	R 110 822.25
Commissioner for Custom and Excise	R 275 000
Richard Bay Airport Company (Proprietary) Limited	R 1 700 516.13
Canadian Regional Aircraft Finance Transaction No. 1 Limited	R 6 164 121.60
GE Capital Aviation Services Limited	R 6 762 646.80
Horizon Air Industries Incorporated	R 7 987 215.60
Maersk Aviation Holding	R 3 373 824

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

Q400 Leasing (Proprietary) Limited	R 10 500 000
Lufthansa Technik	R 1 666 415.60

27. RELATED PARTIES

Related party transactions

Purchases from related parties		
State Controled Entities	509,118,964	579,971,468
Sales to related parties		
State Controlled Entities	34,872,561	20,460,260
Departments of Government	40,800,945	26,453,485
Shareholder	-	36,240

Compensation to key management - 2011	Short-term employee benefits	Post-employment benefits	Long-term benefits	Total
Allanby D - GM Operations	2,014,332	171,440	351,339	2,537,111
Green J - CIO	1,930,475	64,175	398,227	2,392,877
Hermanus WP - GM Human Capital	1,660,460	116,814	238,079	2,015,353
Malola Phiri A - GM Regional Expansion	2,035,856	102,991	547,858	2,686,705
Ntshanga I - GM Strategy	1,039,008	57,071	500,029	1,596,108
Simelane J - GM Commercial	1,739,990	62,278	347,322	2,149,590
Vahed R - GM Technical	1,864,909	124,460	363,258	2,352,627
Jantjies J - GM Customer Services and Marketing	1,465,907	53,517	255,988	1,775,412
Mashaba P - GM Risk and Compliance	1,283,724	69,530	154,836	1,508,090
	15,034,661	822,276	3,156,936	19,013,873

Compensation to key management - 2010	Short-term employee benefits	Post-employment benefits	Long-term benefits	Total
Allanby D - GM Operations	1,624,643	122,903	326,980	2,074,526
Green J - Chief Information Officer	1,564,848	52,760	393,513	2,011,121
Hermanus WP - GM Human Capital	1,210,596	95,725	-	1,306,321
Malola Phiri A - GM Regional Expansion	1,871,188	93,581	509,652	2,474,421
Ntshanga I - GM Strategy	1,768,685	124,059	415,800	2,308,544
Simelane J - GM Commercial	1,408,380	48,399	277,875	1,734,654
Vahed R - GM Technical	1,474,828	106,364	294,553	1,875,745
	10,923,168	643,791	2,218,373	13,785,332

28. DIRECTORS' EMOLUMENTS

	Short-term benefits	Long-term benefits	Post-employment benefits	Total
Executive				
2011				
I Ntshanga	1,156,782	500,029	111,538	1,768,349
PS Mzimela	1,886,267	-	-	1,886,267
SS Zulu	1,973,224	786,504	111,288	2,871,016
	5,016,273	1,286,533	222,826	6,525,632
2010				
SP Mzimela	3,959,995	1,357,899	262,836	5,580,730
55 Zulu	2,332,846	707,961	157,252	3,198,059
	6,292,841	2,065,860	420,088	8,778,789

Non-Executive		
2011	Emoluments	Total
BF Mohale	161,881	161,881
B Ssamula	214,386	214,386
C Christodoulou	283,484	283,484
E Bunyenyezi	190,598	190,598
G Van Heerden	190,598	190,598
LG Boyle	669,440	669,440
NA Madalane	105,331	105,331
S Nicolaou	95,298	95,298
VW Cuba	95,299	95,299
LJ Ledwaba	105,333	105,333
V Matsoso	249,823	249,823
	2,361,471	2,361,471

2010	Emoluments	Total
BF Mohale	215,842	215,842
B Ssamula	190,596	190,596
C Christodoulou	283,483	283,483
E Bunyenyezi	147,823	147,823
G Van Heerden	190,596	190,596
LG Boyle	669,440	669,440
M Vuso	249,821	249,821
NA Madalane	210,663	210,663
S Nicolaou	190,596	190,596
	2,348,860	2,348,860

29. RISK MANAGEMENT

Capital risk management

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

The capital structure of the company consists of debt, which includes the borrowings disclosed in note 7 and 15, cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement of financial position.

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

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

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

The company's strategy is to maintain a gearing ratio of 1:1.

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

Financial risk management

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

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

The company uses natural hedges through dollar denominated revenue to hedge certain industry risk exposures. The airline's policy is not to hedge considering the net exposure. The net exposure is constantly monitored, evaluated and managed in close co operation with the company's operating units. The Board provides written principles and policies for treasury management.

Liquidity risk

The company's risk to liquidity is a result of the funds not being available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At March 31, 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	-	200,000,000	-
Trade and other payables	172,861,360	-	-	-
Neutrality advance	177,266,915	-	-	-
Bank overdraft	13,496,062	-	-	-

At March 31, 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	27,679,088	-	-	-
Trade and other payables	138,860,629	-	-	-
Neutrality advance	177,266,915	-	-	-
Bank overdraft	6,554,170	-	-	-

Interest rate risk

The company's interest rate risk arises from long-term and short-term borrowings. Interest rate movements on these borrowings are off set to a certain extent by long-term deposits.

The company reviews its funding plan on a regular basis to ensure that interest risk are minimised.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its constructive obligations.

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

Due to the reduced equity, SA Express does not comply with the equity covenant in terms of the new lease agreements on the Q400s.

Due to the loss SA Express does not comply with the interest rate cover covenant in terms of the long-term loan.

SA Express has engaged with the creditors and with the shareholder to mitigate these risks.

Foreign exchange risk

The company undertakes certain transactions denominated in foreign currencies which therefore have exposure to exchange rates variations. However, the company does not hedge foreign exchange fluctuations.

SA Express has both revenue and expenditure that is foreign currency denominated and this provides a natural hedge. The currency received is kept in a CFC account until required for payment or when the exchange rate is beneficial to convert to rand.

Fuel cost is dollar driven and this risk is mitigated by the fact that the fuel levy is also linked to the dollar exchange rate.

Fraud risk

Fraud risks are identified through the Fraud Hotline and internal controls and assurances, including the internal audit function. The company also has an Ethics Hotline Policy and a Compliance Manual, which, inter alia, stipulate that should any instance of possible fraud come to the attention of management or the Directors, the matter will be investigated and appropriate steps taken in line with the policy.

Where instances of alleged fraud have been reported through the Fraud Hotline, the Directors have taken appropriate action which included the appointment of an independent forensic investigation.

30. GOING CONCERN

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.

31. EVENTS AFTER THE REPORTING DATE

The Directors are not aware of any matter or circumstance that occurred between the end of the reporting period and the date that the financial statements are authorised for issue.

32. IMPAIRMENT OF PPE

Figures in Rand	2011	2010
Impairment of PPE		
IFRS 5 adjustment	(42,913,486)	-
Other	(18,324,929)	(84,644,064)
	(61,238,415)	(84,644,064)

The IFRS 5 adjustment relates to the comparison of the carrying amount of the aircraft to the fair value less cost to sell per the AVITAS valuation report dated 13 Janaury 2011, providing market values as of 31 March 2011.

The other adjustments relates to the correction of the aircraft line in respect of prior period adjustments relating to major subsequent costs recognised, but not appropriately derecognised in terms of IAS 16. Refer to note 33 for further discussion.

33. NON-CURRENT ASSETS HELD FOR SALE

Description		
Aircraft	110,352,053	-
Rotables	131,344,422	-
	241,696,475	-

On November 11, 2010, the Board of Directors announced a plan to dispose of the fleet and subsequent PFMA approvals were obtained. The disposal is consistent with the company's long term policy to replace its aviation fleet with more technically advanced and updated aircraft. The company is actively seeking a buyer for its fleet and expects to complete the sale as planned.

The company has not recognised any impairment losses in respect of the fleet, neither when the fleet was reclassified as held for sale or at the end of the reporting period. The assets held for sale (Aircrafts and Rotables) ceased depreciating immediately after the Board resolution.

Refer to note 32 for related disclosure.

34. PRIOR PERIOD ERRORS

Figures in Rand	2011	2010	2009
Description			
Non reversal of provision for dispute settlement	-	-	12,500,000
Tax effect on provision for dispute settlement	-	-	(3,500,000)
SAP system error	-	-	25,603,552
Tax effect on SAP system error	-	-	(7,168,995)
Interest incorrectly reversed	-	-	22,142,593
Tax effect on interest incorrectly reversed	-	-	(6,199,926)
Under/over accruals	-	-	7,377,470
Tax effect on under accruals	-	-	(2,065,691)
Under depreciation and write offs in PPE due to errors in SAP	-	-	100,462,153
Tax effect on PPE write offs and depreciation error	-	-	(28,129,403)
Accounting adjustments to PPE	-	-	295,347,383
Tax effect on PPE accounting adjustment	-	-	(82,697,267)
Exchange rate movement due to adjustment to spot rate	-	-	(564,052)
Tax effect on exchange rate movement	-	-	157,935
VAT reversal	-	14,130,109	18,356,678
Deposits adjustments	-	-	(2,259,000)
Tax effect on deposit adjustments	-	-	632,520
Passenger service charge	-	17,759,615	18,984,688
Unutilised ticket liability and duty travel	-	-	(44,472,751)
Tax effect on unutilised ticket liability and duty travel	-	-	12,452,370
Accounting error debtor	-	-	16,400,625
Tax effect on error on debtor	-	-	(4,592,175)
Training bonds	-	-	9,003,998
Tax effect on training bonds	-	-	(2,521,119)
Additional tax effects	-	-	(12,212,689)
	-	31,889,724	343,038,897

As a result of a dispute during 2007 with regards to Unutilised Tickets held by SAA, a provision for a settlement was raised, however upon settlement this provision was not reversed and the entire amount was incorrectly accounted for within sundry income. This resulted to an overstatement of sundry debtors by R12,500,000 in 2009 financial statements.

During the Transnet unbundling transaction, a dispute arose regarding interest payable on the Transnet overdraft. A provisional amount of R22,142,593 was reversed as interest expense and incorrectly allocated to sundry debtors instead of the Transnet overdraft. On settlement it was agreed that R35,018,406 was to be reversed. This full amount was reversed against interest expense and Transnet overdraft. The initial provision of R22,142,593 was not reversed against interest expense and sundry debtors. This is the cause of our prior period error adjustment against retained earnings and sundry debtors.

Both the above mentioned errors were identified during 2011 financial year and subsequent corrections were made. The corrections resulted in the trade debtors amount of R293,296,340 as previously reported in 2009 financial statements being reduced by R34,642,593 to R258,653,747. The corrections subsequently adjusted the following years, as a result the trade debtors figure of R298,563,407 as previously reported in 2010 financial statement was reduced to R263,920,815.

During the 2009 financial year an entry, relating to the 2008 financial year, was passed into the thirteenth period on the General Ledger (SAP) system post the finalisation of the year end close, however the system was not rolled over post this entry which resulted in an error within the opening balances on both retained earnings and accruals within the 2010 financial year. This resulted to an understatement of accrued disbursements by R25,603,552 in 2009 financial statements. Upon correcting the error during 2011, the accrued disbursement balance of R66,216,254 as previously reported in 2009 financial statements was increased by R25,603,552 to R91,819,806. The correction subsequently adjusted the following financial years. The 2010 balance of R13,552,726 as previously reported in 2010 financial statements was increased to R39,156,277.

The under/over accruals relates to fuel, workmens compensation and leave. The aforementioned accounts were investigated and corrected as follows: The fuel was adjusted according to actual invoice for fuel uplifted; the workmen compensation over accrual was adjusted according to returns paid in subsequent years and the amount processed to the income statement for the payment was corrected by offsetting it against the balance sheet provision and the leave accrual was adjusted according to the VIP payroll software calcualtion for leave due. The result of the adjustment was a net decrease in retained income to the amount of R7,377,470 in the 2009 financial statements.

The write offs and under depreciation in the PPE line relate to Land and buildings, machinery and equipment and aircraft. The aforementioned accounts were investigated and corrected as follows: the useful lives of certain PPE items per SAP were not in line with accounting policies of SA Express Airways and thus corrected accordingly and ownership of certain assets within land and buildings could not be verified and thus were written off. The result of the adjustment was a net decrease in retained income due to depreciation of R100,130,711 and a further net decrease in retained income due to write offs of R331,442 in the 2009 financial statements.

The accounting adjustment to PPE relates to the following: Incorrect capitalisation of the flight maintenance expense; prior period adjustments relating to major subsequent costs recognised, but not appropriately derecognised in terms of IAS 16 and the capitalisation of rotables to the aircraft line while they were held as inventory. The account was corrected by expensing the incorrect items capitalised. This resulted in a net decrease in retained income due to flight maintenance expenditure of R41,035,036 and a further net decrease in retained income due to incorrect capitalisation of R254,312,345 in the 2009 financial statements.

The exchange rate movement relates to an error in the currency used for revaluation of foreign transactions at year end. The foreign creditors, foreign debtors and foreign bank accounts were investigated and corrected as follows: the spot rate was used to recalculate the unrealised exchange rate differences for the year. This resulted in a net increase in retained income of R564,052 for the 2009 financial statements.

The VAT reversal relates to the incorrect reversal of the VAT liability raised with the actual revenue invoices for March 2008, 2009 and 2010. The VAT account was reconciled and corrected by reversing the asset incorrectly raised. This resulted in a decrease to the retained income of R18,356,678 for 2008 and 2009 financial statements and a further decrease to retained income of R14,130,109 for 2010 financial statements.

The deposit adjustment relates to the following: Amounts incorrectly raised as deposits; deposits incorrectly expensed to the income statement and foreign deposits not correctly translated to the spot rate as of year end. As a result of the aforementioned the retained income of 2009 financial statements was adjusted with R2,259,000.

The passenger service charge adjustment relates to the incorrect reversal of the passenger service charges raised with the actual invoices for March 2008, 2009 and 2010. The account was corrected by reversing the incorrect journals processed. This resulted in a decrease to the retained income of R18,984,688 for the 2009 financial statements and a decrease in retained income of R17,759,615 for the 2010 financial statements.

The unutilised ticket liability and duty travel adjustment relates to the over/under accrual of unutilised ticket liability in prior years and the incorrect expenditure of the duty travel. The accounts were corrected by expensing the actual duty travel and by adjusting the accrual for unutilised ticket liability to the actuals received. The unutilised ticket liability was not properly accrued before 2009 and in 2009 it was not adjusted for the behaviour pattern calculated on the actual revenue received. This resulted in a net decrease to retained income for the duty travel of R20,181,444 in the 2009 financial statements and a net increase in retained income for the unutilised ticket liability of R64,654,195 in the 2009 financial statements.

The adjustment in the accounting error relates to an incorrect calculation performed with regards to revenue receiveable from South African Airways. The error was discovered upon investigation of the long outstanding debtor. The error was corrected by reversing the debtor originally raised. This resulted in a decrease in retained income of R16,400,625 in the 2009 financial statements.

The accounting adjustment on the training bonds relates to the incorrect amortisation and a provision incorrectly raised. The account was corrected by reversing the provision raised and by recalculating the correct amortisation. This resulted in a net decrease in retained income of R9,003,998 in the 2009 financial statements.

General information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Aviation
DIRECTORS	L.G. Boyle, I. Ntshanga, E. Bunyenyezi, C. Christodoulou, V. Cuba, L. Ledwaba, B.F. Mohale, B. Ssamula, G. Van Heerden, M.J. Vuso
REGISTERED OFFICE	4th Floor offices, West Wing, Pier Development, O.R Tambo International Airport 1627
BUSINESS ADDRESS	4th Floor offices, West Wing, Pier Development, O.R Tambo International Airport 1627
POSTAL ADDRESS	P.O Box 101 O.R Tambo International Airport 1627
HOLDING COMPANY	Department of Public Enterprises on behalf of the South African Government incorporated in accordance with the Companies Act of the Republic of South Africa
AUDITORS	Nkonki Incorporated Chartered Accountants (S.A.) Registered Auditors
COMPANY SECRETARY	Morestat Corporate Services (Pty) Ltd
COMPANY REGISTRATION NUMBER	1990/007412/07

GRI Application Level B

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