INTEGRATED ANNUAL REPORT

2013

sa express

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GEORGE

CONTENTS

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This Annual Report provides an overview of the performance of the Company for the period 1 April 2012 to 31 March 2013. It presents the Company's mandate / purpose, strategy, governance, performance review and future outlook. It demonstrates how South African Express Airways SOC Limited responds to stakeholders, risks, and opportunities in order to create sustainable value for the economy, society and the environment. The report is broadly divided into four sub-categories, namely:

- About SA Express;
- Sustainability;
- Corporate Governance; and
- The Financial Statements.

All four categories are complementary and for ease of reference, cross-referencing is provided.

ABOUT SA EXPRESS

SA Express is a regional airline offering seamless connectivity between primary and secondary domestic and regional destinations in Southern Africa and beyond.

Our objective is to provide transportation of passengers, cargo and mail, air charters and other related aviation services as well as to promote frequency of services on lower density routes; and to expand regional air services capability in the Republic and to the African continent and surrounding islands.

The flexibility and reliability presented by the airline's FACT principle (Frequency, Availability, Competitive price and Timing of flights), affords consumers and service providers a unique and convenient service. The FACT principle enhances the country's prospect as a preferred air travel destination and major trade and tourism capital.

Our vision is supported by the airline's aspirations and strategy and is underpinned by our core values and unique selling propositions that drive profitability.

Our purpose is to be

An integrated regional airline connecting secondary and main airports

Our vision is to be

A world-class regional airline with an extensive footprint in Africa

OUR Core Values

We never compromise on **safety,** no matter what.

Our **customers** are our most important investors.

We **partner** with people across all operations.

We deliver with **speed** without compromising on **quality.**

We strive for continuous **improvement.**

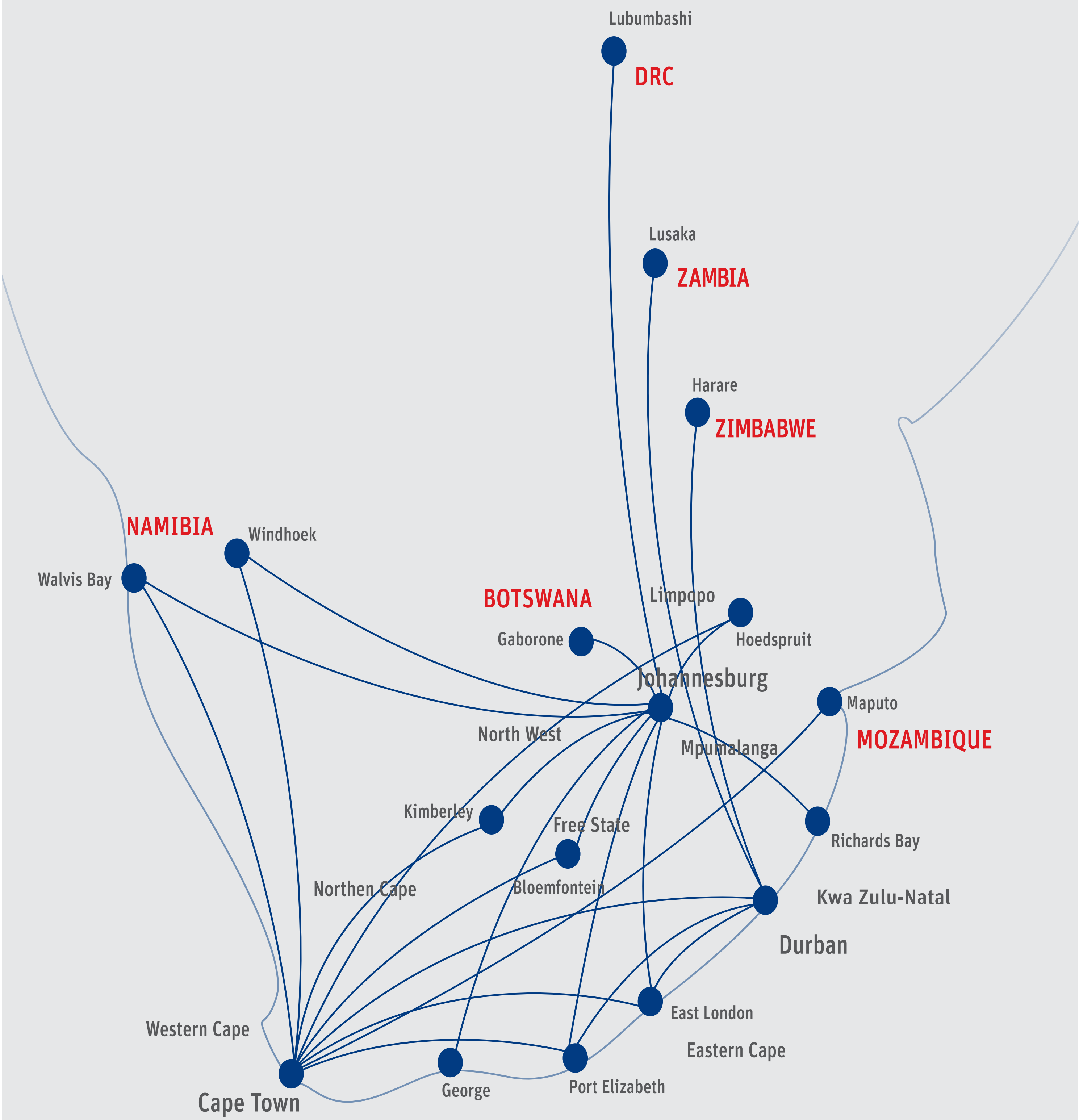
We keep it **simple.**

In pursuit of its mandate, SA Express aims to provide passenger, mail and cargo air services on a sustainable basis, an effort to help lower the cost of doing business in South Africa. It provides affordable air services within benchmark standards.

We continuously seek opportunities for growth and partnerships within the region, in order to expand our route network. SA Express has adopted a phased approach to excel beyond the current turbulence. Phase one will focus on remedial actions while phase two will strive to consolidate and embed business cost/efficiency improvement initiatives as part of the core business.

ABOUT SA EXPRESS

SA EXPRESS ROUTE NETWORK



TRAVEL ROUTES

Visit **www.flyexpress.aero** for domestic flights to Bloemfontein, Port Elizabeth, East London, Kimberley, Hoedspruit, George, Johannesburg, Richards Bay, Cape Town, Durban, and regional flights to Lubumbashi, Gaborone, Windhoek, Walvis Bay and Maputo.

OUR LEADERSHIP

BOARD OF DIRECTORS

Numbers	Names	Date of Appointment	Qualifications	Areas of Expertise
1	Andile Mabizela **Chairperson**	13/08/2012	BSc (Economics) Honours (Zimbabwe) and LLB	Legal, Aviation, Supply Chain and Logistics
2	Inati Ntshanga **Executive Director** **CEO**	01/09/2010	BA Economics (Harvard) Global Executive Development and Board Leadership Program (Gibs)	Aviation, Economics, Executive Leadership, Strategy, Finance and Marketing
3	Zanele Ngwenya **Executive Director** **CFO**	01/12/2012	CA (SA), MBA (Gibs, University of Pretoria), B Com (Accounting – Honours (UKZN), B Com (Economics and Accounting) (UDW)	Managerial Finance, Corporate Finance, Business Strategy, Valuations, Financial Modelling, Management Consulting, Auditing, Investments and Corporate Governance
4	Boni Dibate **Non-Executive Director**	13/08/2012	BA Social Science, BA Honours (Clinical Psychology) and MSc (Clinical Psychology)	Human resources and Aviation
5	Nosipho Gxumisa **Non-Executive Director**	13/08/2012	B. Eng (Hons) Manufacturing; PDM (Bus. Admin); Master Program (Supply Chain).	Procurement, Supply Chain, Strategy and Aviation.

BOARD OF DIRECTORS

Numbers	Names	Date of Appointment	Qualifications	Areas of Expertise
6	Neo Moshimane **Non-Executive Director**	03/08/2012	BA, LLB and LLM	Corporate and Commercial Law
7	George Mothema **Non-Executive Director**	13/08/2012	BProc	Legal, Research, Corporate Governance and Regulatory
8	Karabo Nondumo **Non-Executive Director**	13/08/2012	CA (SA), B Acc and Higher Diploma (Accounting)	Investment, Finance, Strategy and Leadership
9	Ezrom Mabyana **Non-Executive Director**	13/08/2012	Diploma (Leadership Development) and Diploma (Trustee Education Program)	Labour relations and Leadership development
10	Bridget Ssamula (Uganda) **Non-Executive Director**	03/09/2007	BSc (Civil Engineering), MEng and PhD (Transportation Engineering) and MBA (Aviation Management)	Transport Engineering, Aviation operations, Planning and Strategy

EXECUTIVE MANAGEMENT

Brian Tebogo Van Wyk
General Manager: Commercial

Van Wyk is the GM Commercial at SA Express Airways; he holds a B Com Accounting degree from Rhodes University, a B Com Accounting Honours degree and CTA from University of Natal. He has diverse experience in Accounting, Finance, Tax, Management Accounting, Business Management and Sales. He has held numerous Managerial positions at BMW SA, BMW Financial Services, VW and AUDI SA before joining SA Express.

Dave Allanby
General Manager: Flight Operations

A qualified pilot, Captain Dave Allanby, is responsible for the daily airline operations. His portfolio includes airport operations, flight deck and cabin crew. 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 Principal Officer of the Pension and Provident Fund and Lead Negotiator in annual union salary reviews.

Este Welman
General Manager: Performance Management

Este 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.
Her portfolio provides strategic direction in terms of routes, new destinations, scheduling of flights and aircraft to ensure that revenues are maximised.

Wesley Hermanus
General Manager: Ground Operations

Hermanus is in his first year of heading up the Ground Operation portfolio of SA Express. Before joining Ground Operations he drove Human Capital for five years, where he was instrumental in transforming the area from an administrative function to a strategic business pillar. He joined SA Express from Discovery Holdings, after working at South African Airways for 10 years in various management positions. Hermanus holds a Human Resource Development qualification, an MBA, various Aviation relevant qualifications and completed the Board Leadership Programme with GIBS.

EXECUTIVE MANAGEMENT

Kgatile Nkala
General Manager: Human Capital

Nkala completed a bachelor's degree Social Science in 1995 and an honour's degree in Industrial Relations in 2000, in between receiving a postgraduate diploma in Personnel Management. She later studied for a certificate in Advanced Project Management at Stanford University (USA) Centre for Professional Development. After working at the University of KwaZulu-Natal, she joined Equity Aviation Services (Pty) Limited as National/Group Training Manager before joining SA Express.

Peter Mashaba
General Manager: Risk and Compliance

Peter's role at SA Express is to ensure the safety of the airline through compliance with Civil Aviation Authority (CAA) regulations and international standards set by IATA. His 15 years of experience in the aviation industry includes working at the SACAA to oversee safety of commercial aircraft operators. 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. 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 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 acquisition and development. As a qualified and certified aircraft maintenance engineer, with 18 years aviation experience in various senior position; he leads a highly skilled team responsible for SA Express' fleet, building a brand equity for the airline government by international based practices. Ramon holds a Post Graduate diploma in Management specialising in Management Practice.

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2013 OPERATIONAL AND PERFORMANCE HIGHLIGHTS

	Passengers	Revenue	Cargo Revenue	Net Profit / (loss)	Aircraft
2013	1.548m	R2,296bn	R18,1m	R0,7m	24
2012	1.578m	R2,022bn	R16,9m	(R365,9)	24

2013 OPERATIONAL AND PERFORMANCE HIGHLIGHTS

	OTP	Passenger load Factor	Number of Employees	CASK(cents)	RASK(cents)
2013	88%	65%	1,136	102	123
2012	85%	61%	1,090	89	104

THE CHAIRPERSON'S STATEMENT

Continued global economic pressures impacting fuel negatively, weak growth with our global trading partners and currency volatility have contributed to adverse trading conditions in the South African and regional airline industry. All of these factors caused a 'risk reduction' attitude influencing decisions to shrink, one way or another, instead of expanding operations. The Global Aviation space has endured operational constraints resulting in Cost of Available Seat Kilometre (CASK) exceeding Revenue per Available Seat-Kilometre (RASK) for many airlines, Mainline, Regional and Low-Cost Carriers alike.

On the domestic front for the 2012/2013 financial year, the industry witnessed the liquidation of 1Time Airline; a casualty of operational cost with operations ending November 2012. SA Express has been no exception to these challenges with a struggle to contain rising direct costs in the midst of weakening exchange rates climate, among other factors.

A strategic intent to reduce the network schedule by 20% yielded positive results in our efforts to contain costs and improve sustainability. In addition, our staff identified cost saving initiatives amounting to R129.1m for the 2012/2013 financial year. Turnover increased year-on-year with the airline incurring only minor losses and maintaining its market share.

As a company, SA Express continues to respond to the call to ensure socio-economic transformation is embedded in our corporate culture; which is realised through our Cadet Pilot Programme, Artisan/Apprenticeship Trainees and Learnership Programmes. In the past financial year we strived to achieve targets, rising above internal and external pressures, ensuring sustainability and maximising shareholder value.

I would like to extend my gratitude and appreciation to the Shareholder Representative - The Honorable Minister Malusi Gigaba, the Department of Public Enterprises team, Board members of SA Express, SA Express management team, employees and, our most valuable investors, the customers for the support received in a very trying trading environment.

A. Mabizela
Chairperson

SA Express will continue to focus on its sustainability in the long-term while collaborating in the Whole of State Approach.

THE CHIEF EXECUTIVE'S STATEMENT

The past twelve months have continued to distinguish the aviation industry as a major player in connecting communities, business and tourism through air travel. IATA has noted that three billion people and 47 million metric tonnes of cargo were transported safely in 2012, This resulted in 57 million jobs and $2.2 trillion in economic activity – contributing 3.5% to the global GDP.

In Africa, aviation is a key driver of sustainable economic growth and encourages intra-trade between African countries and the rest of the world. According to IATA, air travel is responsible for 6.7 million African jobs and contributes almost $68 billion to African GDP. In South Africa, the numbers translate to a R74 billion contribution to GDP and over 350,000 jobs. Thus greater connectivity enhances economic growth, attracts foreign investment as well as opens up new markets for export activity.

Though 2012 saw strong economic growth in emerging markets amounting to increased passenger traffic, airlines are still operating under difficult economic conditions where costs remain high and margins are thin. The year recorded a decline in airline profits with $7.6 billion net profit recorded for 2012 as opposed to the $8.8 billion in the previous year. Asian-Pacific airlines generated the most profits while African airlines were lagging behind in profit margins.

Aviation safety is the responsibility of all stakeholders in the value chain and remained a priority for the global aviation industry. Safety in the skies is only attainable through commitment and collaboration between governments and industry bodies. In 2012, air safety received a major boost as carriers registered under IATA Operational Safety Audit (IOSA) recorded zero accidents. This is a major achievement for the aviation industry building on its reputation of being the safest mode of transportation.

Strategic Review

During the period under review, we focused on the following strategic objectives:

- Business cost/efficiency improvement initiatives;
- Consolidate business processes and internal controls;
- Attaining a sustainable cash position;
- Improvement of reputation in the market and
- Productivity improvement.

I am delighted to report that we have taken significant steps toward delivering our strategic priorities. Some of the highlights include:

- Cost savings on energy optimisation projects at our overall operations assured a realization of R129.1 million savings;
- Overhauled and improved accounting policies and procedures;
- Improved internal controls to prevent re-occurrence of errors of the past;
- Filled all existing vacancies within key areas;
- Embarked on training program and induction to up-skill existing staff;
- Review of IT systems to ensure that they support and integrate the value chain of the business;
- Achieved accreditation by Bombadier as the first Approved Service Facility for Bombadier on the African continent - Accredited as the only approved service facility for Bombardier on the continent and
- Improved Carbon Emissions, especially efficiency in our operations by 9.1%

Financial Performance

Challenging macro-economic conditions continued to plague the aviation industry in the last financial year. However, the key take away from the 2012/2013 financial results is that we have started to see a turnaround in the financial performance of the business and I'm really pleased with the contribution from the SA Express team.

This turnaround is evident in the net profit of R0,7 million compared to R365,9 million restated net loss made in the prior year. This improved performance is attributable to, among other things, the increase in revenue of R274 million compared with the prior year and the cost saving initiatives effected during the year.

The Company has also seen an improvement in cash utilised in operations from R234,2 million the previous year to R113 million during the current year under review, representing an R121.2 million improvement.

The cost saving initiative saw the Company realising R129.1 million, R70 million better than the target and for this we are very grateful to the employees who continue to go the extra mile, Without these initiatives, the Company would have reported a major loss.

Though there are significant improvements in the financial results, revenue is still under pressure from factors such as fuel costs, aircraft leases, navigation landing and parking costs. So we have to keep the eye on our ball to make sure that we control costs. course most of these costs are affected by the currency depreciation experienced during the year under review that we can look forward to the future with confidence.

Furthermore, impairments have reduced significantly from R22,3 million to R1.4 million during the year and contributed positively to our net reduced loss. Total assets increased by R229,6 million. These numbers show that the business is indeed turning around.

THE CHIEF EXECUTIVE'S STATEMENT (Continued...)

Our People

Despite the challenges that were faced during the period under review, our employees have continued to work incredibly hard and I would like to thank all of them for their contribution to the progress we have made as a company.

At SA Express, we recognise that for us to be able to build a successful company, we need an empowered workforce of internal leaders. That is why we are passionate about training and development of our employees to meet the demands of our customers. 35 middle managers went through the Management Development Programme while 45 attended the Supervisory Skills Programme. True to our values, we partner with people across all operations.

We are proud of our employees who have demonstrated good citizenship by getting involved in initiatives that made a difference in our communities. Their hard work has ensured that we remain connected with the communities where we have operations.

We look forward to another successful year with our employees, constantly striving together to make SA Express become the best company to work for.

Way forward

The past year has been about turning around the business and the results thereof are starting to show. We have addressed our immediate challenges of costs exceeding revenues, weak internal controls and reporting.

We are behind the strategy of optimizing state owned airlines to deliver value for the Shareholder. It is vital for us to integrate our synergies and core competencies in a more streamlined and efficient manner to reap the maximum benefit for the Shareholder. Sustainability is critical for us and we will continue to drive it from our key pillars of people, profit and planet.

I. Ntshanga
Chief Executive Officer

In Africa, aviation is a key driver of sustainable economic growth and encourages intra-trade between African countries and the rest of the world.

Victoria Falls-Zimbabwe

THE CHIEF FINANCIAL OFFICER'S STATEMENT

Overview of the results

Revenue increased by over R274 million (13.6%) compared with the previous year; while operating expenses increased by R4.4 million, 0.2% compared with the prior year. This reflects a strong operational performance, especially given the tough and turbulent times experienced by the Company and the industry over the past few years.

The business is still under severe pressure from increase in fuel costs, aircraft leases, network charges, repairs and maintenance costs. The Company's operating loss of R25.1 million represents an 91.3% improvement from the R288.3 million restated operating loss incurred in the previous financial year. The Company has been cushioned by the cost saving initiatives which saw it realising a R129.1 million in savings.

Accounting policies

The Company changed its accounting policy for Flight Maintenance Plans (FMPs) to better reflect the substance of the transactions and their impact on the business. Costs of FMPs were previously expensed when incurred and now they are capitalised and a liability recognised for the future costs of restoring leased Aircraft to their conditions as per the FMPs agreements.

Sustainable earnings computation

Description	2013 R'm	2012
Profit / (loss) before tax	-157.7	-365.9
Profit on disposal of assets	-31,5	-99.7
Impairment of assets	1.4	22.3
Scrapping expense	-	5.8
Fair value adjustments	8.3	.7
Penalties and fines	2.9	1.3
Change in estimates		79.2
Prior period error		66.5
Change in accounting policy	32.6	12.5
Sustainable earnings / (loss) before tax	**-144**	**-277.3**

The Company's sustainable loss before tax has reduced by 48.1% from the prior year's R277,3 sustainable loss before tax. This has been attributable to among other things, the decrease in net loss before tax, the decrease in impairment of assets, and an increase in fair value adjustments.

Currencies

The Company is exposed to currency fluctuations as a large part of aircraft related services are procured from foreign countries. The rand depreciated by R1,5557 (20.3%) against the USD spot rate as at 31 March 2012. It lost over 14,7% value on average over the year. This has marginally affected the bottom line of the business as evidenced by the R7,6 million increase in foreign exchange differences.
The Company's treasury policies and processes are currently under review by the National Treasury and one of the outcomes envisaged from this process is a decision on whether or not foreign currency denominated transactions be hedged.

Cash flow

The Company has seen a great improvement in cash utilised in operations. The cash utilised in operations decreased by R121.2 million, representing a 51,8% improvement from the prior year's R234,2 million.

This improvement is attributed to the increase in revenue mentioned above and the R129,1 million realised from the costs saving initiatives.

Treasury and borrowing

The Company's borrowings increased by over R116 million as at 31 March 2013 compared with the previous year, representing a 40,6% increase in debt. This has resulted in finance cost increasing by R5 million (25.4%) compared to the previous year. Once again, the R129,1 million realised from the costs saving initiative meant that the amount borrowed by the Company was less. The Company secured a R539 million government guarantee in February 2013 and is effective until end February 2015. The guarantee is to provide security against the Company's debts.

The Company is also engaged in unlocking some value from the Balance Sheet through reviewing stock levels, recovering from non-trade receivables and via maintenance reserve optimisation. There is an investment linked to the Aircraft structures which will become available in December 2015.

Financial position

The Company's total assets exceed total liabilities by R263,8 million, R0,6 million marginally better than the prior year's. Total assets increased by over R229,6 million as at the end of the financial year under review, representing a 20,1% increase in total assets. Current assets exceeded current liabilities as at the end of the financial year, by R17.2 million.

With all the considerations, the business can only improve its financial position through growing into new routes and markets to get more contribution to counter and permanently shield the business from the current fixed cost pressures it is exposed to.
The company has recently completed a long-term strategy with a funding plan which would ensure profitability is sustained and gearing ratio improved

Z.Z. Ngwenya
Chief Financial Officer

SUSTAINABILITY REPORT

PERFORMANCE OVERVIEW

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 2012/2013	Performance 2011/2012	Movement
Financial and Economic			
Revenue	R2,295,552,530	R2,021,648,838	Up
Operating (loss) Margin	(1,1%)	(14,3%)	Up
Net Profit / (loss)	R650,463	(R365,872,736)	Up
Year end net cash	(R68,938,848)	(R61,737,898)	Down
Value added to employees	R528,245,765	R467,258,392	Up
Value added to providers of finance	R24,706,602	R18,053,960	Up
Value added to government	(Nil)	(Nil)	Constant
Cargo as a % of turnover	0.79%	0.84%	Down
Aircraft utilization (Average hours per day)	7.79	6	Up
OTP 15 min rule	88%	85%	Up
Passengers transported	1,548m	1,578m	Down
Passenger revenue	2,202,349,191	1,941,182,995	Up
Average Revenue per Passenger	R1422.71	R1230.15	Up
Passenger load factor	65%	61%	Up
Social Safety			
Fatalities	0	0	Constant
Number of incidents/accidents	13	13	Constant
Employees medically surveyed	401	389	UP
Noise induced hearing loss	0	1	Down
Employees			
Total Employees	1136	1090	Up
Expenditure on employee training	R39,712,416.90	R23,081,173	Up
Black employees attending leadership development programme.	76%	81%	Down
Female employees attending leadership development programme.	71%	58%	Up
Transformation and BBBEE			
BBBEE Rating	7	7	Constant
% Black employees	64%	59%	Up
% Female employees	38%	38%	Constant
% Black employees in Management	61%	51%	Up
% Female employees in Management	31%	36%	Down
Community			
Corporate Social Responsibility expenditure (Rands)	R3,561,830.76	R352,492	Up
Environmental			
Energy used (Litres Aviation Fuel)	72,758,646	88,693,523	Down
Carbon Footprint (Scope 1 and 2) Tonnes CO_2	186,638	227,100,2	Down
Carbon Efficiency (emissions in grams / passenger kilometre)	182.2	197.1	Down

KEY SUSTAINABILITY CHALLENGES

SA Express faces the following sustainability challenges:

1. Pressure on Profitability

The Company has performed significantly better compared with the previous year, making a net profit of R0,7 million in 2012/2013 compared with the restated net loss of R365,9 million in 2011/2012. This notwithstanding, profitability is still under pressure from high fuel costs, the depreciation of the rand as majority of expenditure is US Dollar denominated and legislated tariffs from the ACSA, ATNS and the CAA. The cost saving initiatives employed by the company, which yielded a R129.1 million saving, cushioned the company against pressure from high costs.

2. Human Resources

Industrial relations continue to improve and support the Organizations sustainable growth. We have managed to grow our employee numbers and maintain high performance standards. With this commitment from the staff, the Company believes that it reached even greater heights as it weathered the turbulent times in partnership with the employees.

3. Climate Change

Striking a balance between optimal operations and mitigation of climate change risks as well as associated environmental concerns, continued to receive attention with fuel being the major contributor to the Company's operational carbon footprint. This has seen improved efficiencies, albeit not as significant as the Company would want to see, including reduced fuel burn which saw the airline reducing its emissions per passenger kilometer.

4. Sustainable Customer Relations

In comparison to the previous year, we have improved our customer engagement. In the previous year, we were faced with customer relations operational challenges largely due to technical problems affecting SA Express. Our customers felt that they were somewhat forced to fly with us, this perception is seen to be improving. This opinion is supported by initiatives such as mystery shoppers who are providing positive feedback.

OUR SUSTAINABILITY APPROACH

SA Express' integrated sustainable approach focuses on three main pillars:

People

- We care for our social wellbeing, this is achieved through our most valued partner – our employees. This does not exclude our contractors and communities in which we operate.

Planet

- Fostering environmental stewardship through resource management, efficiency and impact management.

Profit

- Enhancing equitable prosperity through resource optimization, financial performance, product stewardship and procurement processes.

Underpinning these three pillars is the foundation of good governance. This system enables sustainable development considerations to form an integral part of how we do business by adopting sustainable development as a core value. We are fully committed to the highest standards of corporate governance practice, which we believe is necessary to achieve the business integrity required to deliver robust and sustainable business results. Focus areas have been identified, based on our principal sustainable development risks, as part of an ongoing improvement process that will ensure integration of sustainable development within SA Express's planning and decision making systems.

Our approach to these sustainable development pillars is supported by our specific strategies and management plans to achieve the corporate objectives.

Integrated Approach for Sustainable Development		
People • Safety Strategy • OHS Risk Mitigation Strategy • Human Capital Strategy	**Planet** • Climate Change Response Strategy • Integrated Environmental Management Strategy • Energy Management • EWaste Management/Recycling Initiatives	**Profit** • Preferential Procurement Strategy • Market Development Strategy • Life of Business Plan • Ancillary revenue streams
Governance Board Committees: SSHE & Q, Audit & Risk, Social & Ethics. SA Express Code of Business Conduct, relevant sustainable development policies.		

FOCUS ON HUMAN CAPITAL

Through the strategy dubbed navigating through turbulence, management together with employees embarked upon cost saving initiatives that were focused on ensuring that costs are contained and driven down in order to bring the airline to sustainability. Our people demonstrated unparalleled commitment by agreeing to forego annual salary increases that are normally at inflation rate, for six months, as a pledge to facilitate that the company returns to a flight path of sustainability. This they committed to amidst escalating cost of living. To this end, SA Express is very proud to have employees who have the best interest of the business at heart.

Restructuring the business to achieve better alignment was another critical objective of the navigating through turbulence strategy. The restructuring resulted in the rationalization of the executive management level from a total of eleven executives to a new structure that achieved better alignment of the business with nine executives. In August 2012 when the new structure was unveiled, three executives had exited and by November 2012, all the necessary appointments at this level had been made in order to facilitate that the new executive structure operated at full strength.

The business continued to seek the best structural alignment in order to ensure that the best match between people, jobs and skills required exists as this is a fundamental ingredient of SA Express achieving its strategic goals. This strategy, together with a moratorium on all recruitment, ensured that while structures are aligned, talent and skills are deployed and matched to facilitate optimization of operating structures and leverage the company's human capital thus increasing productivity at all levels. Of importance, is the fact that none of our people lost their jobs during this period.

Our focus was to consolidate the company's employee value proposition to ensure robust employee engagement practices throughout the company. This proved to be a high road; however, success was brought initiatives; about by SA Express' continued concentration on the following:

Growing the 'best company to work for' brand

SA Express continued to invest in initiatives that contribute towards ensuring that we remain on the path to be labelled the best company to work for. We were honoured to be the first airline in Africa for partnering with IATA and trained our people on critical aspects of People Management Development for Airlines (PMDA). We trained a total of 28 managers and trainers of whom 67% were black and 52% were female.

Development of competent transformational leaders to lead and manage change

We designed and implemented development programmes that were designed SA Express Leadership Competency framework that seeks to develop leaders that fit the unique requirements of SA Express which include transformation, change and sustainability. We continued to focus on increasing our leadership bench strength, with a continuation of our leadership pipeline programme/s.

The Management Development Programme (MDP) and the Supervisory Skills Programme (SSP) have proved to be instrumental in providing a critical pipeline of talent for the management echelon.

Thirty-five middle managers went through the MDP Programme while 45 attended the SSP. Of these, 91% were black of which 50% were female. These continuous development programmes will ensure a competent supply of managers for the organisation, while transforming this critical occupational level.

Focus on growing Talent

We realized the importance of aligning our human capital strategy to the developmental objectives of the Reconstruction and Development Program, while seeking consistency with the imperatives of the New Growth Path and the National Development Plan.

To this end, we successfully enrolled, trained and provided workplace exposure to our South African youth in our critical operational as well as support areas on the business. Aligning this to the Shareholder Compact targets, we successfully enrolled and trained 30 apprentices, 20 cadet pilots, 30 learners in the semiskilled environment of our operations and 20 graduates and exwperiential learners. Of importance is the fact that these learners come from previously disadvantaged background and a concerted effort was made to recruit from rural areas. To date the Company has over 40 graduates and learners and has extended an invitation to students who are interested in aviation to be part of the exciting company and industry.

SA Express has managed to grow a talent pipeline that continuously helped to ensure that SA Express continues to live its vision of becoming a "A world-class regional airline with an extensive footprint in Africa." Through robust development coupled with relentless performance expectations on its people, SA Express managed to produce a succession plan that was used to appoint the present CEO, 40% of the executive management and a sizeable percentage of the next level of management.

Labour Relations

The 2012/2013 financial year was relatively stable from an employee relations perspective. The unions showed commitment to the relationship by agreeing to cost saving initiatives that affected their union members.

Employee Wellbeing

Aspiring to become the best company to work for also entails promoting the wellbeing of our employees as well as taking a caring stance towards our employees. Through an integrated Employee Assistance Programme, HIV/AIDS as well as employee and management support, SA Express was able to roll out a myriad of support initiatives that promoted the wellness of our employees. The Voluntary Testing and Counseling campaign that was conducted as part of the commemorations of the World Aids Day attracted a total of 200 employees, which was a 4,7% increase compared with the previous year. A total of 400 employees throughout the company participated in wellness days.

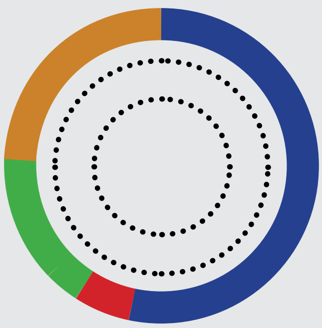
Staff also participated in initiatives which are geared at raising funds for charity geared at improving the lives of people less privileged in our communities. To this end, staff participated in the National Bandana day, geared toward recruitment and education of young donors for bone marrow and stem cells for leukemia patients. A total of R5,750 was raised by staff through their participation in the national Shavathon initiative in support of cancer patients while a total of R1,640 was raised when staff participated in the Mad Hatters day in support of the Organ Donor Foundation.

Employment Profile

The SA Express head count was 1,126 staff members as at 31 March 2013. The overall employment profile reflects very positively compared with the national and industry benchmarks. The demographic comparison of 36% white and 52% black, with a gender profile of 36% female and 64% 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 below show the current SA Express employee profile. (See figs 1 and 2)

Fig 1: Race Profile

Race Split - March 2013



White 36%

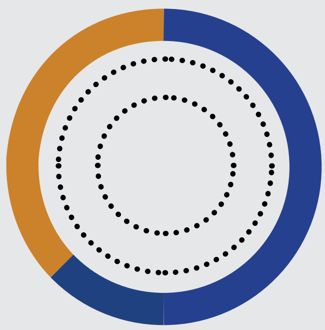
Black 52%

Coloured 9%

Indian 3%

Fig 2: Gender Profile

Gender Split - March 2013



Female 407 36%

Male 729 64%

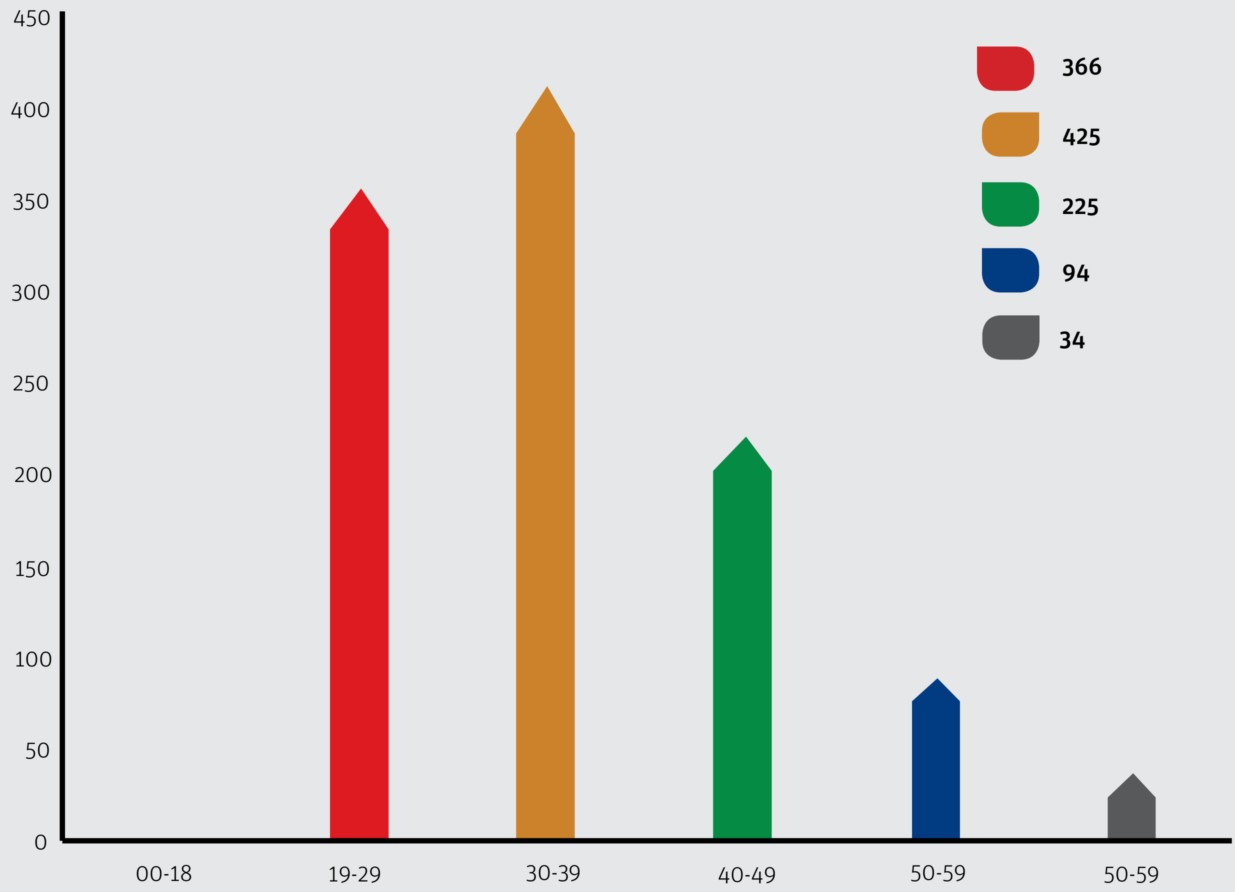
Pilot transformation still remains a concern for the company and the industry at large. The SA Express Cadet Programme is designed to address the equity challenges.

Human Capital Strategy for 2013/2014

The human capital strategy for 2014 will focus on the following strategic objectives and have been committed to in line with the broader business goals:

- Develop competent transformational leaders to lead and manage change and business processes;
- Reconstitute our Performance Management System;
- Create a talent balance sheet and risk analysis to develop capacity and capability ahead of demand and
- Develop a culture of continuous learning where talent development is entrenched in our culture.

NUMBER OF EMPLOYEES PER AGE GROUP



A majority of the Company's employees are within the age group between 30 and 39 years, followed by those in the age group of between 19 and 29 and the lowest number of employees are those within the age group of 60 to 75 years. Employees between the 19 and 39 years groups are over 69% of the total number of employees and this augurs well for the future sustainability of the Company. The Company does not have employees who are younger than 18 years.

Employment equity report

	Female				Male				Foreign Nationals		Grand Total
Level	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	MALE	FEMALE	
Top Management	1			2	4	1		1			9
Senior Management	10	1		1	8			2	1	1	24
Middle Management	4		1	7	15	7	2	15			51
Junior Management	4	1		22	27	4	7	199			264
Semi-skilled	195	43	19	52	169	31	5	103	5		622
Unskilled	42		1		103	11	2	7			166
Grand Total	**256**	**45**	**21**	**84**	**326**	**54**	**16**	**327**	**6**	**1**	**1136**

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

SA Express has managed to improve in rating level from a level eight contributor in 2010 to a level 7 in 2012 and is committed to improve this level going forward.

Some of the key initiatives and results to improve the Company's rating include the following:

- **Management control**

  Black women representation was a key focus area and with the alignment of the structures and recent rotation of the board, the representation is reasonably satisfactory.

- **Employment equity**

  Multiple initiatives were introduced to penetrate previously male dominated areas such as pilots and technicians with black female representation. These initiatives are now starting to bear fruit.

- **Skills development**

  Despite the material amounts spent on training, the demographics of the pilot area continue to negatively affect the Company's overall spending on training but the initiatives to address the pilot and technicians areas will positively affect the amount spent on training.

- **Preferential procurement**

  The Company obtained a high score on this area and the spending on Qualifying Small Enterprises and Exempted Micro Enterprises QSEs, EMEs, with the current drive to localise procurement, this position will further improve the score.

- **Enterprise development**

  The focus on enterprise development was non-monetary in nature such as Professional Services rendered at no cost (Free advertising on Indwe for qualifying enterprises), Early payment of qualifying vendors for services rendered and donation of computers to businesses.

- **Social economic development**
  The focus of our social economic development is in education which directly affects our industry given that it is a scarceskills environment. To this end, the Company has adopted schools across its network of operation and also has multipleinitiatives to transfer skills to the youth.

- **Community based corporate social initiatives**

The Company took part in a number of community initiatives in which its employees played a major role and those are:

- 2013 – First day of school stationery drive;
- This drive resulted in 1, 840 back packs and 25, 760 stationery items being distributed to 1, 840 Grade One learners who hailed from 15 schools around 13 of our stations;
- 13 computers were donated to the Tembisa Children's Home to assist the home's students who are at different tertiary institutions with their studies;
- Books donated: in the 2012 Mandela Day to the Tembisa Children's Home The Company donated books to the Tembisa Children's Home and 90 children benefited from the initiative. The CEO and the Company's volunteers spent some time reading to the kids emphasizing the importance of education to address the challenges engulfing the country's communities;
- CANSA Shevathon:
  This is a drive to fight against cancer and the Company's employees took part and over R5, 866 was raised;

Madhatters:
  Over R760 was raised from the event in aid of the Organ Donor Foundation;

- Casual day and
- Over R470 was raised for different charities that cater for people with disabilities.

SA EXPRESS CARES

'We are proud of our employees who have demonstrated good citizenship by getting involved in initiatives that made a difference in our communities. Their hard work has ensured that we remain connected with the communities where we have operations.' (I Ntshanga-CEO)

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

1.Developments during 2012 - 2013

SA Express has made positive inroads to restore the airline to sustainability in the midst of economic pressures and continuously increasing cost of operation.

We remain confident that SA Express will achieve its vision and will increase shareholder value. SA Express continues to play a significant role in its developmental capacity of people and connecting secondary markets and primary markets to facilitate trade.

2. Environment

SA Express is committed to minimizing the impact of our operations on the environment. This is done through improved operational efficiencies across the board, in particular within our technical and flight operations business units, the use of the latest technologies, sustainable procurement practices as well as effective waste management through reducing, reusing, recycling and ultimately responsible disposal.

Our environmental goals are zero waste to landfill, improving carbon efficiency by 5% per annum in terms of CO_2 emissions per passenger kilometre as well as zero growth in emissions by 2020.
During the year under review, SA Express continued to refine its data gathering methods to guide the airline in quantifying, assessing and minimizing the impact of our business on the environment. The key focus areas were oil and fuel usage, noise pollution and waste management.

We continued to work closely with policy makers (as part of the Department of Public Enterprises' team tasked with coming up with initiatives for leading South Africa in the transition to a low carbon economy) to influence the development and implementation of effective environmental regulations.

While the objective of the international community is to limit greenhouse gas concentrations in the atmosphere such that global temperatures do not increase by more than 2 degrees Celsius, SA Express has identified the following as key climate change risks and opportunities:

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

SA Express supports the October 2010 International Civil Aviation Organisation (ICAO) assembly meeting's resolution that introduced the concept of a global sectoral framework for managing aviation CO_2 emissions. We are committed to capping our emissions by 2020 against the 2005 baseline and reducing our intensities thereafter. Our target is to improve our carbon efficiency by 5% per annum, effective 2010/2011 financial year. In that regard, our carbon efficiency for the financial year was 165.7 grams per passenger kilometre compared with 182.8 grams per passenger kilometre attained in 2011/2012.

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

4. Ethics

SA Express acknowledges that leadership is responsible for creating the foundation for an ethical culture within the organisation. The Social and Ethics sub-committee of the Board was in its second year running, and positive engagements arose from this crucial element of oversight.

DEVELOPMENTS DURING 2012 - 2013

SA Express continues to monitor ethical behaviour through various means, however the tool most treasured is the anonymous reporting line called “Hotline”. This line is managed independently of management, thus allowing employees freedom to report. When introduced, there were numerous reports and as years gone by, we have seen a steady decline. We are accepting this as a positive because there has been constant feedback given to the independent group handling the reports and we are assured that employees receive such feedback.

A code of ethics was reviewed as required through good cooperate governance and it was found acceptable for the year to come. It was found comprehensive enough, and confirmed to cover:

- Guiding principles for acceptable behaviour of all persons appointed to act in one way or another on behalf of SA Express while on duty or during the course of duty and when acting on behalf of/or representing the airline;
- A framework for identifying conduct that is ethical and acceptable for employees and representatives of SA Express and
- Comprehensive guidelines to ensure accountability within SA Express in line with 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.

5. 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 prioritization, we will continue to review and develop appropriate mechanisms and processes to constructively engage with these groups. 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.

6. Customer Relations

Customer centricity is one of the pillars driving our operational strategies and is premised on implementing customer service protocols that start internally with every SA Express employee, developing systems and processes for personal ‘touch’ communication with clients as well as encouraging every employee to experience the business end to end with a view to driving continuous improvement in customer service and service consistency.

Exceeding customer service expectations is one of SA Express’ stated aspirations 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 behaviour.

SA Express has thus committed to developing further, over and above last year’s initiatives of identification and confirmation of client needs and staff training programmes. We elected to use those learnings and craft new strategies for the year. These included:

- Mystery shoppers;
- Customer engagement through SMS and
- VIP Protocols.

All these were supported by rigorous staff training, assuring the success of our strategies.

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.

We never compromise on **safety,** no matter what.

CORPORATE GOVERNANCE

INTRODUCTION

SA Express strives to fully comply with the requirements of the Companies Act 71 of 2008, the Public Finance Management Act 1 of 1999, principles of King Code III and the Protocol on Corporate Governance in the Public Sector while upholding specific best practices such as accountability, transparency, fairness and responsibility.

INTERACTION BETWEEN THE BOARD AND THE SHAREHOLDER

The Board regularly interacts with the Shareholder through the Chairperson of the Board. The Chairperson is the point of contact regarding interaction with both the Shareholder and Parliament. The Chairperson, together with the Chief Executive Officer attended parliamentary sessions to update the Portfolio Committee on Public Enterprises on a number of strategic issues involving the company and the Annual Financial Statements. 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 and Chairperson's Forum.

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. The Board ultimately takes overall responsibility of directing the strategic objectives of the business.

COMPOSITION

The previous Board comprised a majority of Non-Executive Directors. Only one Director was an Executive. The Chairperson of the Board was a Non-Executive Director. The role of the Chairperson was separate from that of the Chief Executive Officer.

Ms L G Boyle	Chairperson
Mr C Christodoulou	Non-Executive Director
Mr L J Ledwaba	Non-Executive Director
Dr B Ssamula	Non-Executive Director
Ms M J Vuso	Non-Executive Director
Mr B F Mohale	Non-Executive Director
Mr I Ntshanga	Executive Director
Mr V Cuba	Non-Executive Director
Mr G van Heerden	Non-Executive Director

The current Board, appointed on 13 August 2012 at the Annual General Meeting, comprises a majority of Non-Executive Directors. Two Directors are Executive. The Chairperson of the Board is a Non-Executive Director.

Mr A Mabizela	Chairperson
Ms B Dibate	Non-Executive Director
Ms N Gxumisa	Non-Executive Director
Mr E Mabyana	Non-Executive Director
Ms N Moshimane	Non-Executive Director
Mr G Mothema	Non-Executive Director
Ms K Nondumo	Non-Executive Director
Dr B Ssamula	Non-Executive Director
Mr I Ntshanga	Executive Director
Mr Z Ngwenya	Executive Director
Mr S Tshifularo	Non-Executive Director Resigned 31 August 2012
Mr M Ngcai	Non-Executive Director Appointed 7 November 2012 and resigned 1 April 2013.

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 Shareholder Compact determining strategic objectives of the company was concluded between the Board and the shareholder for the year under review.   The Board has it's 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 appraised of the operations of the business throughout the year via regular Chief Executive Officer reports at Board sessions and 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.

The Board's role and responsibilities included amongst others:

- Setting the strategic direction of the Company;
- Reviewing and monitoring the management and performance of the business by management;
- Recommending the appointment of the External Auditors to the Shareholder;
- Determining broad strategic policy decisions;
- Ensuring that the necessary financial and human resources are in place to enable the company to meet its strategic objectives;
- Ensuring sustainability of the organization to ensure that it is capable of fulfilling its commercial objectives and statutory obligations;
- Fulfillment of its fiduciary duty in accordance with the principles of good governance;
- Effective reporting and accountability to the Shareholder and other regulatory bodies;
- Exercising of due care, skill and good faith in the execution of its duties;
- Ensuring that effective audit, risk management and compliance systems are in place to protect the company's assets;
- Delegating certain responsibilities to the Chief Executive Officer;
- Reviewing and monitoring the performance of the Chief Executive Officer and Chief Financial Officer;
- Approval of the annual budget and business plan for the company;
- Approval, subject to Shareholder's consent, of all major transactions within the ambit of Section 54 of the Public Finance Management Act and
- Consideration and approval of the Annual Financial Statements and Dividend Policy.

BOARD MEETINGS

The Board met regularly and meetings are scheduled in advance in accordance with the Board calendar which sets 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 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

Meetings and Attendance

Name	23/05/12 Board	04/04/12 Special	25/07/12 Special	13/08/12 AGM	31/8/12 Special	06/09/12 Special	26/09/12 Board	26/10/12 Special	21/11/12 Board	27/11/12 Special	21/02/13 Board
Ms LG Boyle	✓	✓	✓	✓							
Mr C Christodoulou	✓	✓	✓	✓							
Ms MJ Vuso	✓	✓	✓	✗							
Mr BF Mohale	✓	✗	✗	✗							
Dr B Ssamula	✓	✓	✗	✓	✓	✓	✓	✗	✓	✓	✗
Mr I Ntshanga	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr A Mabizela					✓	✗	✓	✓	✓	✓	✓
Ms B Dibate					✓	✓	✗	✓	✗	✓	✓
Ms N Gxumisa					✓	✓	✓	✓	✓	✗	✓
Mr E Mabyana					✓	✓	✓	✓	✓	✓	✓
Ms N Moshimane					✓	✓	✗	✓	✓	✓	✓
Mr G Mothema					✓	✓	✗	✓	✓	✓	✓
Ms K Nondumo					✓	✓	✗	✓	✓	✓	✓
Mr Z Ngwenya											✓
Mr N Ngcai									✓	✓	✗
Mr S Tshifularo					✓						

Not yet appointed Rotated Resigned

CORPORATE GOVERNANCE

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 present. Such meetings are facilitated through the office of the Company Secretary. Cohesion between Board and Management is evident.

DISCLOSURE 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. 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 first being considered by the Board in order to establish the nature and extent of the conflict of interest.

THE FOLLOWING SECTION 54(2) OF THE PFMA APPLICATIONS WERE APPROVED:

- Application for Durban Harare route - Africa Expansion
- Application for Durban Lusaka route - Africa Expansion

BOARD COMMITTEES

In line with the requirements of the King Code III and the Protocol on Corporate Governance in the Public Sector, the following 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. The Committees meet independently of the Board and are all chaired by Non-Executive Directors. The majority of the members of these committees are Non-Executive Directors. These Committees were also assisted by the Company Secretary in the performance of their duties. These Committees are:

AUDIT & RISK COMMITTEE

Ms K Nondumo	Chairperson
Ms N Moshimane	Non-Executive Director
Mr S Tshifularo	Non-Executive Director Resigned 31 August 2012
Mr G Mothema	Non-Executive Director (Acted after Mr Tshifularo until 21 October 2012)
Dr S Ssamula	Non-Executive Director (Appointed to ARC on 21 October 2012)

REGISTER OF MEETINGS AND ATTENDANCE

Name	11/05/12	16/05/12	22/08/12 Special	24/09/12	24/10/12 Special
Ms MJ Vuso	✓	✓	Rotated	Rotated	Rotated
Mr C Christodoulou	✓	X	Rotated	Rotated	Rotated
Mr L Ledwaba	✓	✓	Rotated	Rotated	Rotated
Ms K Nondumo	Not yet appointed	Not yet appointed	✓	✓	✓
Ms N Moshimane	Not yet appointed	Not yet appointed	✓	✓	✓
Mr S Tshifularo	Not yet appointed	Not yet appointed	✓	Resigned	Resigned
Mr G Mothema	Not yet appointed	Not yet appointed	Not yet appointed	✓	Acting
Dr S Ssamula	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	✓

NOT YET APPOINTED ROTATED RESIGNED Acting

The following person/s attended a majority of meetings held by the Committee (by invitation only):

- KPMG (Internal Audit Service)
- Nkonki Inc (External Audit Service) Rotated at AGM 13 August 2012
- Auditor General of South African (External Audit Service) Appointed at AGM 13 August 2012
- Mr I Ntshanga Chief Executive Officer
- Mr J du Toit Acting Chief Financial Officer
- Mr P B Mashaba GM: Risk and Compliance
- Ms JL Green Chief Information Officer
- Mr B F Mohale Chairperson
- Dr B Ssamula Non-Executive Director
- Mr Z Z Ngwenya Chief Financial Officer

REPORT OF THE AUDIT AND RISK COMMITTEE

Report of the Audit and Risk Committee in terms of regulations 27(1) (7) (a) to (c) of the Public Finance Management Act, No 1 of 1999, as amended.

The Audit Committee has adopted appropriate formal terms of reference compliant with the Companies Act, No 71 of 2008, which have been confirmed by the Board, and has performed its responsibilities as set out in the terms of reference. In executing its duties during the reporting period, the Committee has done the following:

AUDIT

- Monitored the effectiveness of the scope, plans, budget, coverage, independence, skills, staffing, overall performance and position of the internal audit and compliance functions within the organisation;
- Recommended to the Board the appointment of the internal auditors and the audit fees;
- Monitored the effectiveness of the external auditors – including assessing their skills, independence, audit plan, budget, reporting, overall performance – and approved external audit fees.;
- Reviewed audit findings and management's action plans.
- Considered non-audit services to be rendered by the; external auditors to avoid material conflicts of interest.;
- Reviewed whether the work performed by internal audit and by external audit is appropriate and ensured that no significant gaps in audit assurance exist between internal and external audit;
- Obtained an assessment of the strength and weaknesses of systems, controls and other factors from the auditors and management that might be relevant to the integrity of the financial statements and
- Ensured that the external auditors and internal audit had direct access to either the Audit Committee or Chairperson of the Audit Committee.

FINANCIAL

- Reviewed the financial statements and reporting for proper and complete disclosure of timely, reliable and consistent information;
- Evaluated the appropriateness, adequacy and efficiency of the accounting policies and procedures, compliance with overall accounting standards and any changes thereto;
- Reviewed the annual financial statements before submission to the Board for any change in accounting policies and practices, significant areas of judgement, significant audit adjustments, the internal control and going concern statements, the risk management report, the corporate governance report, compliance with accounting and disclosure standards, and compliance with statutory and regulatory requirements;
- Reviewed the recommendations of the external auditor and those of any regulatory authority for significant findings and management's proposed remedial actions;
- Enquired about the existence and substance of significant accounting accruals, impairments or estimates that could have a material impact on the financial statements;
- Reviewed any pending litigation, contingencies, claims and assessments, and the presentation of such matters in the financial statements;
- Considered qualitative judgements by management on the acceptability and appropriateness of current or proposed accounting principles and disclosures;
- Obtained an analysis from management and the auditors of significant financial reporting issues and practices in a timely manner;
- Monitored the Corporate Plan targets and other non-financial reporting requirements;
- Monitored and reviewed the company's liquidity position and
- Monitored and reviewed the company's capitalisation and requirements.

GOVERNANCE

- Provided a channel of communication between the Board and management, the risk department, compliance officers, and the internal and external auditors;
- Received regular reporting from each of the above functions and monitored that issues and concerns raised; were resolved by management in a timely manner;
- Liaised with the Board committees and met as required with the regulators and the external auditor and
- Monitored the operational status of compliance, risk identification and management functions.

Reviewed the effectiveness of the procedures for dealing with complaints received by the Company (including receipt, retention, and effective treatment of these complaints) regarding accounting, internal accounting controls, or auditing matters, and submission by employees of the Company, including anonymous submissions, of concerns regarding questionable accounting or auditing matters. Confidentiality of all employees who made submissions to the Company's hotline has been maintained at all times to deter wrong-doing and corruption.

Any control deficiencies identified by the internal auditors were brought to the attention of the Committee and corrective action committed to by management. Where internal controls did not operate effectively throughout the year, compensating controls and/or corrective actions were implemented to eliminate or reduce the risks. This ensured that the Company's assets were safeguarded and proper accounting records maintained. The Committee's assessment is that the overall control environment of the Company is steadily improving and the Audit and Risk Committee is continuously monitoring it for improvements.

Improvements in compliance is an ongoing initiative through regular awareness training and electronic monitoring and reporting. The company has recently adopted and implemented a policy on Fruitless and Wasteful, and Irregular Expenditure in compliance with the (PFMA). With the policy in place, training and awareness are being put in place to ensure that fruitless, wasteful and irregular expenditure is minimised.

The Committee is satisfied that the annual financial statements are based on appropriate accounting policies, and are supported by reasonable and prudent judgements and estimates. The Committee evaluated the Company's annual financial statements for the year ended 31 March 2013 and, based on the information provided therein, the findings contained in the auditors report including these relating to the non-compliance with the PFMA requirements on procurement, believes that the financial statements, comply, in all material respects, with the relevant provisions of the PFMA and International Financial Reporting Standards.

K. Nondumo
Chairperson Audit and Risk Committee

SOCIAL AND ETHICS COMMITTEE:

SA Express established a Social and Ethics Committee in line with Section 72(4) and Regulation 43(2) of the new Companies Act, no 71 of 2008 with the first meeting held on 26 June 2012.

Ms N Gxumisa	Chairperson
Mr E Mabyana	Non-Executive Director
Mr G Mothema	Non-Executive Director

Name	26/06/12	17/10/12
Mr C Christodoulou	✓	✗
Dr B Ssamula	✓	No longer on Committee
Ms N Gxumisa	✗	✓
Mr E Mabyana		✓
Mr G Mothema		✓

✗ Not yet appointed ✗ Rotated

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee Committee was established by the Board of Directors of SA Express on 26 June 2012, in line with the requirements of section 72(4) of the Companies Act of 2008. The Committee operates under the Terms of Reference approved by the Board which is reviewed annually. The Committee has met twice during the year under review in order to discharge its responsibilities.

The government has, over the years, introduced legislation to address compliance such as Broad- Based Black Economic Empowerment, Corporate Governance and Employment Equity, to help deal with the social and ethical matters in the workplace. Where there is limited or no legislation, there are international declarations and industry charters to guide the Committee.

The King III Report states that "Responsible Corporate Citizenship implies an ethical relationship between the institution and the society in which it operates." The Committee endeavored to deliver on its mandate to monitor the company's activities with regard to social and economic development, good corporate citizenship, compliance with the BBBEE Act and the Employment Equity Act, ensuring that labour and employment goals are met and that measures are in place to protect and measure the environment, health and safety in the work place and that of our passengers. SA Express supports the 10 principles of the United Nations Global Compact and is committed to the New Growth Path. The company has communicated to the United Nations Secretary General, H E Ban Ki-moon, of its intent to advance the 10 principles within the company's sphere of influence as well as to make them part of the organisation's strategy, culture and day-to-day operations. We are also committed to engaging in collaborative projects that advance the broader development goals of the United Nations, in particular the Millennium Development Goals. The organisation has committed to supporting public accountability and transparency as well as submitting an annual Communication on Progress (COP) to the United Nations, describing the company's efforts to implement the 10 principles.

We have also adopted a number of initiatives to counter corruption in the workplace and these include:

- An established Code of Ethics and an Ethics Hotline Policy;
- Training employees to live an ethical culture;
- A procurement policy which informs the tender process and complies with treasury guidelines and the Public Finance Management Act (PFMA) and
- The establishment of a baggage monitoring supervisors by screening company (ACS) in response to air transport security.

SA Express has outsourced the services of the hotline reporting to KPMG to ensure confidentiality and independence. Once a call has been made to the KPMG hotline, the SA Express Risk Department and the CEO receive a report, within 24 hours, detailing the alleged unethical behaviour or corruption. This they report to the responsible oversight committees at Audit and Risk and the Social and Ethics Committees with the investigation findings and remedial actions. For this reporting period, we have received a total of six (6) hotline reports from KPMG which have been investigated and considered closed after consultation with the relevant department.

The core value of 'safety first' is entrenched in the culture of the organisation and management has never overruled a safety issue. This position is informed by the basic understanding that doing the right thing is the most sustainable basis for managing employee health and safety in the long run and the safety of our passengers. We have introduced and improved a number of initiatives on health and safety including the introduction of a risk register, training of Safety, Health and Environment (SHE) representatives as well as fire marshals at all stations.

SA Express recognises that in the normal course of doing business our operations, by their very nature, have a negative impact on the environment. SA Express continues to work closely as part of the Department of Public Enterprises (DPE) team, for initiatives to transition South Africa to a low carbon economy. Furthermore, SA Express supports the global sectoral framework for managing aviation CO_2 emissions spearheaded by ICAO. To minimize this impact, the company has quantified its Operational Carbon Footprint (Scope 1 and 2 Emissions) and is currently working on developing a carbon offsetting strategy. Approximately 99% of the carbon footprint that is generated by SA Express is attributable to aviation fuel that is consumed by our aircraft. Carbon footprint data is made available to other business units to enable them to engage constructively with stakeholders.

FLEET EMISSIONS DATA:

A/C Type	Total	Fuel/ hour/AC (Litres) (Spec)	Fuel/ hour/AC (Litres) (Actual)	Emission Factor	Total Emissions (kg/CO_2) Actual
CRJ 200	10	1509	1525	2,5478	38,853,95
CRJ 700	5	1854	2010	2,5478	25,605,39
Q 400	9	1384	1350	2,5478	30,955,77

FLEET FUEL EFFICIENCY:

CRJ 200 emissions per seat per hour (50 seats per A/C) = 77.7 kg/CO_2

CRJ 700 emissions per seat per hour (70 seats per A/C)= 73.2 kg/CO_2

Q 400 emissions per seat per hour (74 seats per A/C)= 46.5 kg/CO_2

OVERALL SA EXPRESS OPERATIONAL CARBON FOOTPRINT:

Financial year 2010/2011 = 208,717,6 Tonnes/CO_2

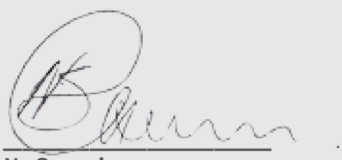
Emissions per passenger km = 197,1 grams /CO_2

Financial year 2011/2012 = 227,100 Tonnes /CO_2

Emissions per passenger km = 182,2 grams /CO_2

While the total emissions increased from 208,717.6 Tonnes in 2010/2011 to 227,100 Tonnes for the 2011/2012 financial year (caused by an increased number of flights) the actual carbon efficiency measured in emissions per passenger kilometre reduced from 197.1 grams to 182.2 grams. This reflects improved operational efficiency and could also be a factor of the re-fleeting that took place during the year. The introduction of Q400s started showing an impact in both the reduced cost of fuel as well as the level of emissions.

The Committee continues to provide oversight as the organisation continues to embed legislation codes of best practice essential to the core business of the airline. Like most newly formed Social and Ethics Committees, we continue to formulate an agenda that fully complies with the requirements of the Companies Act. In situations where duplication in the oversight roles exists with other board sub-committees, the Committee ensures that information and decision making is shared among the relevant board sub-committees.



N. Gxumisa
Chairperson Social & Ethics Committee

SAFETY, SECURITY, HEALTH, ENVIRONMENTAL AND QUALITY COMMITTEE.

Mr C Christodoulou	Chairperson
Dr B Ssamula	Non-Executive Director
Dr B Ssamula	Chairperson
Ms N Gxumisa	Non-Executive Director
Ms B Dibate	Non-Executive Director

Name	07/11/12	6/2/13
Dr B Ssamula	☑	☑
Ms N Gxumisa	☑	☑
Ms B Dibate	☒	☑

Although the following person/s attended per invitation, they attended the majority of meetings held by the Committee:

- Mr I Ntshanga (Chief Executive Officer)
- Mr P B Mashaba (GM: Risk and Compliance)
- Mr R Vaheed (GM Technical)

REPORT OF SAFETY, HEALTH AND QUALITY COMMITTEE

The highlights of SA Express in this financial year were the accreditation of SA Express technical as an Approved Service Facility for Bombardier Aircraft in the region. This accreditation continues to highlight the importance of safety in the organisation that is recognised internationally.

As part of the Sustainability initiatives, the carbon footprint program has been entrenched with the organisation looking further at initiatives for carbon off-setting which will be finalized in the upcoming year. The targets for Carbon reduction that were incorporated as part of the shareholders Compact show the effort being made to contribute to South Africa's carbon reduction initiatives. As a result of SA Express being the first airline to engage IATA for technical advice on the Safety Management System (SMS), the SMS standing was improved. SA Express was the first Accredited Service Provider (ASP) in South Africa to install a SMS as part of ICAO recommendations as a tool for a risk-based system of monitoring and improving safety within the organisation. Remedial actions for various incidents are in place with the organisation also undertaking benchmarking as a measure of its safety standards.

PEOPLE

Quality assurance programs continue to play a major role in maintaining the superb safety record of this organisation. The committee has improved oversight through the Risk and Compliance Department monitoring and assessing the Technical Department and providing quality assurance. In the coming year, quality monitoring will be extended to the entire organisation, especially areas of the business where there were no governing principles dictating quality monitoring. This will be achieved with the introduction of ISO certification. Furthermore management and supervisory development programs were introduced to enable teams and their leadership to become self-policing in implementing quality control processes.

The process of improving technical dispatch reliability and planned and unplanned maintenance programs continue to be a challenge but various initiatives which include joint departmental planning meetings are reaping rewards. The continuous upskilling of the Technical department, human factor training and business process reengineering that was undertaken this year was aimed at reducing the human factor safety risk exposure in the organisation.

PROCESSES

The Committee has over the past financial year undertaken to prepare SA Express for ISO 9000 certification, in order to understand 'how we do business', process documentation and improve quality control. The business objective of the certification aside from improving operational efficiency, is to improve the readiness of the organisation for the various mandated audits the organisation needs to undertake; IOSA, SACAA, EASA.

The organisation continues to undertake a proactive approach in Preparation for Emergency Response exercises. Desktop exercises, documentation and refresher training continues to be used by the organisation as it operates in various airports and with various agencies.

The reporting within the organisation continues to improve and monitored with;

- The risk register as part of the Occupational health and Safety Policy;
- The incident reporting as part of the safety management systems and
- The joint procurement planning processes for maintenance between Technical, Finance and Engineering.

TECHNOLOGY

One of the fundamental findings as a result of the audit clean-up processes was that the IT systems of the technical department were not correlating to other key departments of procurement and Finance. This year the process of cleaning up asset registers, procurement processes, IT interfaces between SAP and AMASIS and business process documentation, have been undertaken to remedy these issues.

The department continues to upskill staff on the impacts and proper use of the technology systems and the impact this will have on business.

The introduction of the use of iPads by the Technical department and pilots has reduced the time lag of receipt of documentation by responsible parties.

SA Express continues to recognise the increased reliance on IT systems to enable business efficiencies to be undertaken.

B. Ssamula
Chairperson SSHEQ Committee

HUMAN RESOURCES AND REMUNERATION COMMITTEE:

Ms B Dibate	Chairperson
Dr B Ssamula	Non-Executive Director
Mr G Mothema	Non-Executive Director
Mr E Mabyana	Non-Executive Director
Mr M Ngcai	Non-Executive Director

Name	03/05/12	20/09/12	06/11/12	06/02/13
Mr BF Mohale	✓			
Dr B Ssamula	✓	✓	✓	✓
Ms B Dibate		✓	✓	✓
Mr E Mabyana		✓	✓	✓
Mr G Mothema		X	✓	Replaced by Mr Ngcai
Mr M Ngcai				X

Not yet appointed

Although the following person/s attended per invitation, they attended the majority of meetings held by the Committee:

- Mr I Ntshanga (Chief Executive Officer)
- Mr W P Hermanus (GM: Human Capital)/Mrs K Nkala (GM: Human Capital)

The Committee comprises of four Non-Executive Directors 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 Capital 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 State Owned Companies' (SOCs) Remuneration Guidelines developed by the Department of Public Enterprises. The Committee operated with clear terms of reference.

The Remuneration Philosophy of SA Express is to attract, develop, and retain key individuals and reinforce superior performance in order to maximize profitability. The company's remuneration policies are aligned with 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 (KPIs) for the Chief Executive Officer.

The Committee believes the Chief Executive is best placed as the delegated member of the Board to execute the Board's strategic KPIs as agreed with the Shareholder, ensuring that Human Capital is aligned with the Shareholder Compact deliverables such as; stuff development, transformation and remuneration.

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 in the Public Sector.

Despite these, the Shareholder is entitled to appoint Directors at every Annual General Meeting. 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 13 August 2012, as the SOCs Remuneration 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 SOC'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 the table below.

NON EXECUTIVE DIRECTOR'S REMUNERATION

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

Name	Jun-12	Sep-12	Dec-12	Mar-13	Total
C Christodoulou	89,076	89,076			178,152
BF Mohale	53,960	53,960			107,920
V Matsoso	62,456	62,456			124,912
LG Boyle	167,360	167,360			334,720
B Ssamula	71,438	65,854	82,765	82,765	302,823
LJ Ledwaba	52,666	52,666			105,332
A Mabizela		167,360	167,360	167,360	502,080
KT Nondumo		62,455	62,455	62,455	187,365
GN Mothema		76,454	76,454	47,649	200,559
BPB Dibate		65,854	65,854	65,854	197,564
S Tshifularo		52,666			52,666
NM Moshimane		52,666	52,666	52,666	157,998
NB Gxumisa		65,854	65,854	65,854	197,564
PE Mabyana		59,543	59,543	59,543	178,631

EXECUTIVE EARNINGS 2013 FINANCIAL YEAR

Name	Salary	Post Retirement Benefit Funds Contributions	*Other	Total 2013
I Ntshanga - CEO	1,824,649	90,630	185,300	2,100,579
ZZ Ngwenya - CFO Appointed 01.12.2012	477,850	24,615	12,478	514,943
J Du Toit - (Acting CFO) Terminated 28.02.2013	1 320,000	0,00	196	1,320,196
DB Allanby	1,481,319	180,544	81,178	1,743,042
JL Green Terminated 31.07.2012	406,417	22,910	904,045	1,333,374
WP Hermanus	1,222,924	131,400	88,342	1,442,667
J Jantjies Terminated 31.08.2012	474,013	26,967	1,241,408	1,742,388
KM Nkala Appointed 01.11.2012	463,669	21,277	10,813	495,760
A Malola-Phiri Terminated 31.08.2012	467,627	45,996	1,076,865	1,590,490
PB Mashaba	1,155,380	88,463	60,322	1,304,166
RL Vahed Terminated 31.03.2013	1,581,790	158,210	85,191	1,825,193
BT Van Wyk Appointed 01.11.2012	537,651	24,927	23,863	586,442
HC Welman	1 274,668	123,535	31,345	1,429,550

*** (Medical Aid, Group Life, Funeral Cover and Settlement)**

B. DIBATE
Chairperson Human Resources and Remuneration Committee

Company Secretaries Compliance Statement

In terms of Section 88(2)(e) of the Companies Act No 71 of 2008, I certify that the Company has lodged with the Registrar of Companies all such returns as are required of a state owned company in respect of the year ended 31 March 2013 and that to the best of my knowledge and belief, all such returns are true, correct and up to date.

M Gie
Acting Company Secretary

PERFORMANCE REVIEW ON SHAREHOLDERS COMPACT

Compact performance is reported as part of the Management Accounts, which is submitted to the Shareholder on a monthly basis and discussed at the monthly meeting, in addition it is also submitted as part of the Quarterly reports.

Additional performance measures contained within Annexure A of the Compact
Include the following:

Risk Management Program to top 10 risks reviewed and mitigation plans are in place	The company has implemented a risk management programme with risk committee meetings with management to ensure that risks are reviewed and mitigated; risks are further reported at the Audit and Risks committee for compliance and oversight	Achieved
Maintain profitability margins and ensure tactics of revenue management are implemented efficiently	The yield of SA Express has been managed and improved over the year, the RASK on the network has increased	Achieved
Implement a funding and borrowing plan focused on optimal gearing, minimise finance cost and match the debt portfolio to the useful life of the underlying assets	SA Express acquired additional loans from South African Airways throughout the period to assist in the cash flow pressures of maintenance shock.	Not Achieved

The compact consisted of 17 indicators, of which only 6 indicators were not met, which is a significant improvement from the prior period.

SA Express achieved 64.7% of targets.

The Actual Shareholders Compact Performance was as follow:

KPI	Unit of measure	Results	Compact	Actual
PROFITABILITY				
Net profit / (loss) after tax	Rm	☒	90	0,7
Operating Cash Flow	Rm	☒	120	-125
EBIT	Percentage	☒	10	-7,4
FINANCIAL VALUE CREATION				
Passenger Load factor	Percentage	☑	61	65
RASK	Cents	☑	1,11	1,23
CASK	Cents	☒	0,99	1,02
FLEET				
Daily block Hours per Aircraft (weekdays)	Hours	☒☒	8,00	7,40
On-time performance (within 15 min of scheduled departure time)	Percentage	☑	87	88
HUMAN CAPITAL				
Training spend above total cost	Percentage	☑	7	8
Number of Artisan Trainees	Number	☑	12	30
Support the Black pilot training programmes MACH I	Number	☑	0	10
Support the Black pilot training programmes MACH II	Number	☑	9	10
Semi Skilled & Skilled Learneships	Number	☑	30	30
Experential Learners/Graduates	Number	☑	20	20

☒ The non-achievement of the other KPIs is mostly due to the high operating costs referred to in the CFO's report as well as the impact of the smoothing of the lease rentals;

☒☒ The non-achievement of the target is attributable to aircraft that were not available due to technical maintenance, this is based to the ageing fleet.

We strive for continuous improvement.

FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY AND APPROVALS

The directors are required in terms of the Companies Act 71 of 2008 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 their 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 International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards 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 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.

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.

The Directors have reviewed the company's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independent audit and reporting on the company's annual financial statements. The annual financial statements have been audited by the company's external auditors and their report is presented on pages 45 to 47.

The annual financial statements set out on pages 42 to 72, which have been prepared on the going concern basis, were approved by the board on 19 September 2013 and were signed on its behalf by:

A. Mabizela

I. Ntshanga

DIRECTORS' REPORT

THE DIRECTORS SUBMIT THEIR REPORT FOR THE YEAR ENDED 31 MARCH 2013.

1. REVIEW OF ACTIVITIES
MAIN BUSINESS AND OPERATIONS

Net profit of the company was R 650,463
(2012: R365,872,736 net loss restated); after taxation of (R158, 386, 513)

2. GOING CONCERN

The directors assessed whether the business will continue to operate in the ensuing 12 months. Briefly, below are some of the factors that the Directors considered, and that on the basis of these factors, the going concern assumption was considered appropriate:

- Assets exceed liabilities;
- The company is able to settle its obligations as they become due;
- The company, as a result of the breach of the terms of some of its contracts, applied for and received a R539 million government guarantee to serve as security against its debts;
- Negotiations have been and continue to be held with held with funders.
- No legislative, regulatory or policy changes that negatively affect and impact the company have been made;
- Impairments on assets have been as a result of the reduction in the market values of aircraft and these have since been sold;
- That the company has made significant cost savings and further savings are expected to be made in the foreseeable future;
- No suppliers have withdrawn their support to the company;
- The company's budget, which has been rigourously overseen and reviewed shows that the company will make a profit this year after consecutively making losses for the past two (2) years;
- As a result of the above, 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 and
- Further to the above points, and the Company's going concern status is also informed by its 2020 Vision, the Funding Plan and the Long Term Turnaround Strategy that will be implemented.

3. EVENTS AFTER THE REPORTING PERIOD

The events below were discovered post the balance sheet date and financials adjusted accordingly:

- Interest of R6.6 million (2012:R0) accrued on overpayment of provisional tax for the 2010, 2011 and 2012 SARS Tax Returns assessments;
- In the review of agreements, R3.9 million (2012:R0.9 million) was uncovered owed from UTL Revenue understated;
- Understated Travel rands revenue of R1.2 million owed to the Company for the financial year 2012 and R0 for the year under review;and
- Workmen's Compensation expense double counted, the expense had been incorrectly raised instead of an off-set against the provision.

The Company Secretary Elize Isenschmid resigned at the end of the financial year.

Other than the matters above, the directors are not aware of any other matter or circumstance arising since the end of the financial year.

4. DIRECTORS' INTEREST IN CONTRACTS

The impact on the financial statements was still under assessment at the frame of conclusion of this annual

5. AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes in the authorised or issued share capital of the company during the year under review (refer to note 12 on the AFS).

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. DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Name	Position
LG Boyle*	Chairperson, Non-executive
C Christodoulou*	Non-executive
L Ledwaba*	Non-executive
BF Mohale*	Non-executive
MJ Vuso*	Non-executive
A Mabizela**	Chairperson, Non-executive
I Ntshanga	CEO, Executive
B Ssamula	Non-executive
B Dibate**	Non-executive
K Nondumo**	Non-executive
N Moshimane**	Non-executive
E Mabyana**	Non-executive
N Gxumisa**	Non-executive
G Mothema**	Non executive
S Tshifularo**	Non executive
ZZ Ngwenya***	CFO, Executive

*the director resigned in August 2012
** the director was appointed in August 2012
*** the director was appointed in December 2012

8. SECRETARY
The Acting Company Secretary is Ms M Gie.

BUSINESS ADDRESS
4th Floor offices
West Wing
Pier Development
OR Tambo
International Airport
1627

POSTAL ADDRESS
PO Box 101
OR Tambo International Airport
1627

9. 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.

10. INTERNAL AUDITORS
KPMG was appointed as the internal auditors during 2008 for a period of 3 years. This contract was renewed in 2011 for a period of 2 years.

11. EXTERNAL AUDITORS
During the Annual General Meeting held on 13 August 2012, Nkonki Incorporated was rotated and the Auditor General of South Africa (AGSA) was appointed in accordance with section 90 of the Companies Act 71 of 2008, The Public Finance Management Act of 1999, Treasury Regulations, and Protocol on Corporate Governance in the Public Sector

12. MATERIALITY AND SIGNIFICANT FRAMEWORK
Following the finding of fruitless and wasteful expenditure, the company has written a policy on Irregular, Fruitless and Wasteful Expenditure. With the policy in place, mechanisms which include training, will be put in place to avert, monitor, report and hold accountable those who are legally liable for such expenditures in line with the provisions of section 51(1)(b) (ii) and 55(2)(b)(ii) of the Public Finance Management Act, 1999.

13. STATEMENT ON PREDETERMINED OBJECTIVES
The Company has performed significantly better than the previous year, meeting 11 of its 17 contracted targets per the Shareholder compact, representing a significant improvement against the previous year in which only 41.2% of the targeted KPIs were met. The Company is making every effort to ensure that going forward it achieve its financial KPI targets.

14. AIRCRAFT STRUCTURES
The impact on the financial statements was still under assessment at the time of the conclusion of this annual report. The accounting for the aircraft structures has not been factored in these financial statements but their likely impact is a reversal of an impairment of R1 million. There is a security deposit of R73,4 million at Standard Bank for guarantees provided which expire in December 2015 and subsequently, the security deposit will be released and the funds will be available to the Company.

15. AUDIT REPORT FINDINGS - ACTION PLAN
Action plans are being put in place to address the findings in the audit report, including those relating to inventory valuation.

16. CHANGES IN ACCOUNTING POLICY
Payments made to a service provider under maintenance programs (FMPs) were recognised as an expense when incurred. This policy was changed in the current year, to capitalising these payments.

The policy is as follows:
"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".

17. DIVIDENDS
No dividends were declared or paid during the year to the Shareholder.

Mabizela

A. Mabizela

I. Ntshanga

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON SOUTH AFRICAN EXPRESS AIRWAYS SOC LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of South African Express Airways SOC Limited (SA Express) set out on pages 48 to 72, which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The board of directors' responsibility for the financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act of South Africa), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. 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 judgement, 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.

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

Basis for qualified opinion

Property, plant and equipment

6. I was unable to obtain sufficient appropriate audit evidence for the rotables balance accounted for as part of property, plant and equipment due to inadequate recordkeeping by the entity. I was unable to confirm the rotable assets by alternative means. Consequently I was unable to determine whether any adjustment relating to the rotables balance stated at R47 549 801 (2012: R62, 373, 573) (2011: R nil) in note 4 to the financial statements was necessary.

Inventories

7. I was unable to obtain sufficient appropriate audit evidence for the inventory balance stated at R77, 862, 540 in the prior year due to the inadequate recordkeeping by the entity. As described in note 15 of the Directors' Report the entity commenced with a clean-up process of its financial records and therefore performed a complete physical stock count as at 31 March 2013. The entity did not recognise the inventory balance as physically verified during the year-end stock count process. Consequently, inventory as stated in note 7 to the financial statements is overstated by R32, 416, 368, and inventory write-downs are understated by the same amount.

Taxation effect

8. Due to the possible effects of the limitation and misstatement as described in paragraphs 6 to 7 respectively, I was unable to obtain sufficient appropriate audit evidence for the account balances and classes of transactions considered in the computation of the recognised deferred tax asset for the financial year ended 31 March 2013. Consequently, I was unable to determine whether any adjustment to the recognised deferred tax asset stated at R158, 386, 513 (2012: unrecognised deferred tax asset R122, 032, 441) (2011: deferred tax liability R26, 971, 766) in note 15 to the financial statements, was required.

Irregular expenditure

9. Section 55(2)(b)(ii) of the PFMA requires the entity to disclose in the notes to the financial statements particulars of all irregular expenditure that had occurred during the financial year. As described in the Directors' report paragraph 12, the entity did not have an adequate system for identifying and recognising all irregular expenditure and there were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that all irregular expenditure had been properly recorded in note 28 to the financial statements. Consequently, I was unable to determine whether any adjustment was necessary to the irregular expenditure balances relating to the current and prior financial year.

Aircraft structures

10. The entity did not recognise special purpose entities in accordance with IFRS, IAS 27, Consolidated and Separate financial statements read with SIC 12, Consolidation - Special purpose entities. As the entity did not maintain adequate records of special purpose entities initiated to house certain aircraft structures as stated in the Directors' report paragraph 14, I was not able to determine the full extent of the misstatement pertaining to the special purpose entities in the financial statements.

Qualified opinion

11. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the SA Express as at 31 March 2013 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the PFMA and Companies Act of South Africa.

Emphasis of matter

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

Material impairments

12. As disclosed in note 7 to the financial statements, material impairments to the amount of R20, 415, 185 were incurred as a result of impairments to inventory (consumables), owing to the fact that such consumables have either past the recommended shelf life or could not be physically verified.

Additional matters

I draw attention to the matter in paragraph 14 below. My opinion is not modified in respect of this matter.

Other reports required by the Companies Act of South Africa

13. As part of my audit of the financial statements for the year ended 31 March 2013, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of determining whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. On reading these reports I did not identify material inconsistencies between the reports and the audited financial statements in respect of which I have expressed a qualified opinion. I have not audited these reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on page 40 of the annual report.

16. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

17. The material findings are as follows:

Usefulness of information

Performance indicators not well defined

18. The National Treasury Framework for managing programme performance information (FMPPI) requires that indicators should have clear, unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 35% (>20%) of the indicators relevant to the objectives set for profitability and human capital were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was not aware of the requirements of the FMPPI.

Additional matter

19. I draw attention to the matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

20. Of the total number of 17 targets planned for the year, 6 were not achieved during the year under review. This represents 35% (>20%) of total planned targets that were not achieved during the year under review. The reasons for not achieving the targets are disclosed on page 40 of the annual report.

Material adjustments to the predetermined objectives report

21. Material misstatements, as per the detailed audit findings, in the performance against objectives report were identified during the audit, all of the reliability misstatements identified were corrected by management leaving the material finding on the usefulness of some of the information as described in paragraph 18 above.

Compliance with laws and regulations

22. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the General Notice issued in terms of the PAA, are as follows:

Annual financial statements, performance and annual report

23. Material misstatements of non-current assets, current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion. The financial statements submitted for auditing were therefore not fully prepared in accordance with the prescribed financial reporting framework due to the material misstatements described and supported by full and proper records as required by section 55(1) (a) and (b) of the PFMA and section 29(1)(a) of the Companies Act of South Africa.

Procurement and contract management

24. Sufficient appropriate audit evidence could not be obtained that goods, works and services were procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51(1)(a)(iii).

Expenditure management

25. The accounting authority did not take effective steps to prevent irregular and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA due to the lack of a formal policy and procedure addressing the processes and requirements with regards to irregular and fruitless and wasteful expenditure. The entity has since developed and implemented such a policy as stated in the director's report paragraph 12.

Asset management

26. Proper control systems to safeguard and maintain assets were not implemented, as required by sections 50(1)(a) and 51(1)(c) of the PFMA.

Internal control

27. I considered internal control relevant to my audit of the financial statements, the performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with laws and regulations included in this report.

Leadership

28. Ongoing monitoring and supervision undertaken to enable management to determine whether internal controls over financial reporting is present and functioning were not adequate but improved from the prior year.
The deficiencies in the monitoring and supervision still had an impact on the current financial year which lead to material adjustments to the annual financial statements, failure to achieve the majority of predetermined objectives and non-compliance with laws and regulations.

Financial and performance management

29. The information systems used for recording and processing transactions are not effectively and efficiently used to produce reliable information. There has been extensive manual intervention for the preparation of the annual financial statements at year-end. Difficulties were experienced during the audit in terms delays and the availability of requested information due to poor recordkeeping and the extensive use of manual record keeping outside of the information systems that are responsible for recording the financial information.

Governance

30. A comprehensive combined assurance plan which addresses the risks highlighted by internal and external audits has not been initiated and implemented.

OTHER REPORTS

Investigations

31. An investigation is currently being conducted by the Risk and Compliance division at SA Express into an alleged incident of financial misconduct at one of the SA Express ticket sale kiosks. The final outcome of the investigation is pending.

Auditor General

AUDITOR-GENERAL

19 September 2013
Registered Auditors

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

	Note(s)	2013	Restated 2012	Restated 2011
ASSETS				
Non Current Assetst				
Property, plant and equipment	4	213,192,116	219,202,478	202,197,343
Intangible assets	5	1,307,548	3,200,354	8,756,651
Other financial assets	6	73,641,660	69,081,116	64,642,240
Deferred tax	15	158,386,513	-	-
		446,527,837	**291,483,948**	**275,596,234**
Current Assets				
Inventories	7	85,582,349	77,862,540	75,491,661
Current tax receivable	8	106,344,272	99,736,233	92,481,987
Trade and other receivables	9	708,621,327	551,853,676	502,225,632
Cash and cash equivalents	10	22,575,997	23,716,852	88,341,561
		923,123,945	**753,169,301**	**758,540,841**
Non current assets held for sale	11	-	95,479,126	313,345,772
		1,369,651,782	**1,140,132,375**	**1,347,482,847**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	12	501,837,518	501,837,518	501,837,518
Reserves	13	356,954,972	356,954,972	356,954,972
Accumulated loss		(594,991,447)	(595,641,910)	(229,769,174)
		263,801,043	**263,150,580**	**629,023,316**
LIABILITIES				
Non Current Liabilities				
Other financial liabilities	14	200,000,000	200,000,000	200,000,000
Current Liabilities				
Other financial liabilities	15	110,000,000	-	-
Trade and other payables	16	425,499,578	345,309,543	283,360,955
Provisions	33	101,569,401	68,950,588	44,335,599
Neutrality advance	17	177,266,915	177,266,915	177,266,915
Bank overdraft	10	91,514,845	85,454,749	13,496,062
		905,850,739	**676,981,795**	**518,459,531**
Total Liabilities		**1,105,850,739**	**876,981,795**	**718,459,531**
Total Equity and Liabilities		**1,369,651,782**	**1,140,132,375**	**1,347,482,847**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	Note(s)	2013	2012
Revenue	18	2,295,552,530	2,021,648,838
Other income		18,230,991	24,384,142
Operating expenses		(2,338,842,295)	(2,334,377,098)
Operating (loss)		**(25,058,774)**	**(288,344,118)**
Investment revenue	20	12,976,231	8,504,744
Depreciation and amortisation		(142,811,490)	(143,136,924)
Foreign exchange differences		(8,254,395)	(651,710)
Impairment of PPE	32	(1,409,494)	(22,278,288)
Profit on sale of assets		31,528,474	99,747,189
Finance costs	29	(24,706,602)	(19,713,629)
Profit / (loss) before taxation		**(157,736,050)**	**(365,872,736)**
Taxation	21	R158,386,513	-
Profit / (loss) for the year		**650,463**	**(365,872,736)**
Profit / (loss) Other comprehensive income	-	-	
Total comprehensive Profit / (Loss)		**650,463**	**(365,872,736)**
Attributable to:			
Owners of the parent:			
Profit / (loss) for the year from continuing operations		650,463	(365,872,736)
Total comprehensive profit / (loss) attributable to:			
Owners of the parent		**650,463**	
Change in accounting policy	34	-	(12,471,853)
Prior period error	35	-	64,462,054
Total comprehensive profit / (loss) for the year - as previously reported		**-**	**(313,882,535)**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Share capital	Share premium	Total share capital	Convertible instruments reserve	Accumulated loss	Total equity
Opening balance as previously reported	452	501,837,066	501,837,518	356,954,972	(396,265,973)	462,526,517
Prior Period error					128,503,567	128,503,567
Change in accounting policy	-	-	-	-	33,216,588	33,216,588
Prior Adjustments	-	-	-	-	4,776,644	4,776,644
Balance at April 01, 2011 as restated	**452**	**501,837,066**	**501,837,518**	**356,954,972**	**(229,769,174)**	**(629,023,316)**
Total comprehensive profit / (loss) for the year - as previously reported	-	-	-	-	(313,882,535)	(313,882,535)
Prior period error	-	-	-	-	(64,462,054)	(64,462,054)
Change in accounting policy	-	-	-	-	12,471,853	12,471,853
Balance at April 01, 2012 restated	**452**	**501,837,066**	**501,837,518**	**356,954,972**	**(595,641,910)**	**263,150,580**
Changes in equity						
Total comprehensive profit for the year	-	-	-	-	650,463	650,463
	452	**501,837,066**	**501,837,518**	**356,954,972**	**(594,991,447)**	**263,801,043**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	Note(s)	2013	Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) operations	23	(113,003,127)	(234,223,829)
Interest income		12,976,231	8,504,744
Finance costs		(24,706,602)	(19,713,629)
Tax paid	24	-	(7,254,246)
Net cash from operating activities		**(124,733,498)**	**(252,686,960)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(114,805,918)	(95,914,941)
Purchase of other intangible assets	5	(108,591)	(1,364,265)
Net movement in financial assets		(4,560,544)	(4,483,876)
Proceeds from sale of assets		127,007,600	217,866,646
Net cash from investing activities		**7,532,547**	**116,103,564**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		110,000,000	-
Net cash from financing activities		**110,000,000**	
Total cash movement for the year		(7,200,951)	(136,583,396)
Cash at the beginning of the year		**(61,737,897)**	**74,845,499**
Total cash at end of the year	**10**	**(68,938,848)**	**(61,737,898)**

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PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. A summary of significant accounting policies is set out in note **1.** The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.The Annual 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 71 of 2008, Public Finance Management Act of 1999, Treasury Regulations and Protocol on Corporate Governance in the Public Sector (2002) and other mandated legislation for state owned entities. These accounting policies are consistent with the previous period.

1.1 Property Plant and Equipment

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:

Item	Average useful life
Plant and machinery	5 Years
Furniture and fixtures	3 Years
Motor vehicles	5 Years
IT equipment	3 Years
Leasehold improvements (Limited to the shorter of the lease term or useful life of the component)	20 Years
Aircraft, includes the following components	
• Airframes	20 Years
• Interior seats	8 Years
• Engines	20 Years
• Engine overhauls	5 Years
• Rotables (Limited to the shorter of The cycles or useful life)	5 Years
• C Checks	2 Years
• Landing gears	10 Years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the 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 the 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 the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 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.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the company's incremental borrowing rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

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. This liability is not discounted.

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

1.3 Maintenance reserves

The costs incurred to maintain an aircraft are capitalised or expensed based in accordance with the accounting policy for property, plant and equipment in respect of subsequent costs. Capitalised costs are depreciated over their estimated useful lives.

1.4 Maintenance plans (Including power by the hour agreements)

Costs incurred relating to the right of use by SA Express for component pool rotables, which allows it access to serviceable components and access to the home based stock of the business partner 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 development (or from the development phase of an internal project) is recognised when:

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

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 estimate.

When the useful life of an intangible asset that was originally assessed to 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:

Item	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

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

- Loans to group companies are classified as loans and receivables.
- Loans from group companies are classified as financial liabilities measured at amortised cost.

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 irrecoverable 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 change in value. These are initially and subsequently recorded 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.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets where the company has the positive intention and ability to hold to maturity are classified as held to maturity.

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 end of the reporting period.

Deferred tax assets and liabilities

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

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

1.9 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.

1.10 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 or 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 or 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.

1.11 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.

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.

1.12 Share capital and equity
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
Ordinary shares are 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.

1.13 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.

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 unused 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 unused after a six- 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.
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 Critical judgements involving estimates applied by the Company in applying its accounting policies Useful lives, depreciation method and residual values of property, aircraft and equipment

The Company assesses the useful lives and amortisation method of intangible assets at each reporting date.
During the year under review the useful lives and amortisation method remained unchanged as they were deemed to be appropriate.

Maintenance reserves impairment provision
Maintenance reserves prepayments unused at the expiry of the lease term are not refundable. The Company estimates the unused balance that is likely to remain at the end of the lease term based on planned events and assumed consumed life of leased aircraft and their components between year end and the lease expiry date and uses this estimate as the basis for the valuation of the maintenance reserves impairment provision. The recognition of the maintenance reserves assets and values thereof are subject to critical judgements followed by management.

1.19 Related parties
Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party, jointly control or exercise significant influence in the party in making financial and operating decisions and vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties also include key management personnel who are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or Otherwise) of the Company.

1.20 Flight Maintenance Plans (FMPs)
The Company raises a provision for restoring each leased aircraft in accordance with a lease contract. The prepayment made at inception of the lease is recognised as an asset and is written off / wound down against the provision as maintenance of the related aircraft is being incurred.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL Financial REPORTING STANDARDS (IFRS)
The annual 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 71 of 2008, Public Finance Management Act of 1999, Treasury Regulations and Protocol on Corporate Governance in the Public Sector (2002) and other mandated legislation 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 effective and adopted in the current year
The directors have reviewed all standards and interpretations issued but not yet effective at the authorisation of the financial statements. They have concluded that the above standards will have an impact on the entity's 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 01 April 2012 or later periods:
IFRS 7 Amendments to IFRS 7 (AC 144) Disclosures – Transfers of financial assets

The required disclosures have been amended to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

The effective date of the amendment is for years beginning on or after 01 July 2011.

The company has not adopted the amendment for the financial reporting period 31 March 2013.

The impact of the amendment is not material.

IAS 12 Income Taxes: Amendment: Deferred Tax: Recovery of Underlying Assets
The amendment now provides that for investment property measured at fair value, the recovery of the carrying amount is assumed to be through sale, with the result that deferred tax arising on the valuation is measured using the prevailing tax rate for capital gains.

The effective date of the amendment is for years beginning on or after 01 January 2012.

The company has not adopted the amendment for the financial reporting period 31 March 2013..

The impact of the amendment is not material.

3.2 Standards and Interpretations early adopted

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

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are the main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost;
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value;
- Under certain circumstances, financial assets may be designated as at fair value;
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply;
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model;
- Financial liabilities shall not be reclassified;
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment;
- IFRS 9 does not allow for investments in equity instruments to be measured at cost and
- The classification categories for financial and liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 01 January 2013.

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

4. PROPERTY, PLANT AND EQUIPMENT

	2013			2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold improvements - Aircraft	65,748,221	(35,249,611)	30,498,610	39,945,188	(13,978,163)	25,967,025	16,404,770	(11,731,152	4,673,618
Plant and machinery	28,224,094	(26,094,862)	2,129,232	27,389,865	(25,252,343)	2,137,522	25,908,372	(22,946,753)	2,961,619
Motor vehicles	3,721,452	(3,366,121)	355,331	3,456,552	(3,207,903)	248,649	3,932,881	(2,985,609)	947,272
Rotables	137,905,104	(90,355,303)	47,549,801	108,939,470	(46,565,897)	62,373,573	-	-	-
Land, buildings and structures	1,979,280	(717,219)	1,262,061	1,199,280	(608,662)	590,618	672,172	(514,100)	158,072
Aircraft	888,011,661	(757,147,437)	130,864,224	810,209,019	(682,466,553)	(127,742,466)	801,389,966	(607,933,771)	193,456,225
Containers	5,650	(4,544)	1,106	5,650	(4,261)	1,389	5,650	(5,113)	537
Capital work in progress	531,751	-	531,751	141,236	-	141,236	-	-	-
Total	**1,126,127,213**	**(912,935,097)**	**213,192,116**	**991,286,260**	**(772,083,782**	**219,202,478**	**848,313,841**	**(646,116,498)**	**202,197,343**

Reconciliation of property, plant and equipment 2013

	Opening balance	Additions	Additions transfer of ownership	Scrapping	Reversals to opening balance	Depreciation	Total
Leasehold improvements - Aircraft	25,967,025	25,803,034	-	-	-	(21,271,449)	30,498,610
Plant and machinery	2,137,522	834,229	-	-	-	(842,519)	2,129,232
Motor vehicles	248,649	264,900	-	-	(41,221)	(116,997)	355,331
Rotables	62,373,573	8,930,597	-	(1,409,494)	21,444,531	(43,789,406)	47,549,801
Land, buildings and structures	590,618	-	780,000	-	-	(108,557)	1,262,061
Aircraft	127,742,466	77,802,643	-	-	-	(74,680,885)	130,864,224
Containers	1,389	-	-	-	-	(283)	1,106
Capital work in progress	141,236	390,515	-	-	-	-	531,751
Total	**219,202,478**	**114,025,918**	**780,000**	**(1,409,494)**	**21,403,310**	**(140,810,096)**	**213,192,116**

Reconciliation of property, plant and equipment 2012

	Opening balance	Additions	Scrapping	Transfers from non-current assets held for sale	Reversals to opening balance	Disposals	Transfers to non-current assets held for sale	Depreciation	Impairment loss	Total
Leasehold improvements Aircraft	4,673,618	-	-	32,748,224	-	-	-	(11,454,817)	-	25,967,025
Plant and machinery	2,961,619	1,341,025	-	-	-	-	-	(2,164,501)	(621)	2,137,522
Motor vehicles	947,272	197,860	-	-	-	(674,189)	-	(222,294)	-	248,649
Rotables	-	25,868,490	(4,539,117)	136,244,750	-	-	(27,305,281)	(46,565,897)	(21,329,372)	62,373,573
Land, buildings and structures	158,072	-	-	527,108	-	-	-	(94,562)	-	590,618
Aircraft	193,456,225	8,819,023	-	-	-	-	-	(74,532,782)	-	127,742,466
Containers	537	-	-	-	1,135	-	-	(283)	-	1,389
Capital work in progress	-	59,688,543	-	(59,547,307)	-	-	-	-	-	141,326
Total	**220,483,745**	**95,914,941**	**(4,539,117)**	**109,972,775**	**1,135**	**(674,189)**	**(27,305,281)**	**(135,035,136)**	**(21,329,993)**	**219,202,478**

Reconciliation of property, plant and equipment 2011

	Opening balance	Additions	Classified as held for sale	Transfers	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	561,863,237	-	(182,001,350)	-	(87,933,385)	(98,472,277)	193,456,225
Containers	628	-	-	-	(91)	-	537
Capital work in progress	10,219,592	37,296,992	-	(46,913,435)	-	(603,149)	-
Total	**745,356,778**	**37,299,392**	**(313,345,772)**	**(36,572,805)**	**(131,464,824)**	**(99,075,426)**	**202,197,345**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

5. INTANGIBLE ASSETS

	2013			2012			2011		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer packages	9,531,025	(8,549,310)	981,715	9,422,434	(6,717,913)	2,704,521	2,281,375	(844,814)	1,436,561
Computer packages under development	-	-	-	-	-	-	6,725,090	-	6,725,090
Uniform design	850,000	(524,167)	325,833	850,000	(354,167)	495,833	850,000	(255,000)	595,000
Total	**10,381,025**	**(9,073,477)**	**1,307,548**	**10,272,434**	**(7,072,080)**	**3,200,354**	**9,856,465**	**(1,099,814)**	**8,756,651**

Reconciliation of intangible assets 2013

	Opening balance	Additions	Amortisation	Total
Computer packages	2,704,521	108,591	(1,831,397)	981,715
Uniform design	495,833	-	(170,000)	325,833
Total	**3,200,354**	**108,591**	**(2,001,397)**	**1,307,548**

Reconciliation of intangible assets 2012

	Opening balance	Additions	Transfers	Prior period amortisation	Amortisation	Impairment loss	Total
Computer packages	1,436,561	1,364,265	6,354,938	(3,515,039)	(2,358,061)	(578,143)	2,704,521
Computer packages under development	6,725,090	-	(6,354,938)		-	(370,152)	-
Uniform design	595,000	-	-		(99,167)	-	495,833
Total	**8,756,651**	**1,364,265**	**-**	**(3,515,039)**	**(2,457,228)**	**(948,295)**	**3,200,354**

Reconciliation of intangible assets 2011

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

6. OTHER FINANCIAL ASSETS

Held to maturity	2013	2012	2011
Standard Bank Investment	73,641,660	69,081,116	64,642,240
The investment is held for a fixed term ending December 2015, at a fixed rate of JBAR +.99 basis points. The cumulative interest received will add to investment until investment nominal figure reaches R75 million. Thereafter it will be transferred to working capital.			
Non current assets			
Held to maturity	73,641,660	69,081,116	64,642,240

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.
The deposit was provided as a security to Standard Bank for liabilities of aircraft structures as indicated on Note 13 in the directors' report.

7. INVENTORIES

	2013	2012	2011
Inventories	105,997,534	80,669,295	86,153,505
Inventories (write downs)	(20,415,185)	(2,806,755)	(10,661,844)
Total	**85,582,349**	**77,862,540**	**75,491,661**

Inventory write down in the current year relates to consumable parts which have reached their shelf life and those that could not be physically verified.

8. CURRENT TAX RECEIVABLE

The current tax receivable relates to overpayments and provision made in the previous year.

RECONCILIATION OF TAX RECEIVABLE

	2013	2012	2011
Opening balance	99,736,232	92,481,987	84,496,961
Provisional tax payments	-	7,254,245	7,985,026
Interest accrued on overpayment of provisional tax	6,608,040	-	-
Total	**106,344,272**	**99,736,232**	**92,481,987**

Refer to note 24 with regards to tax paid for cash flow purposes.

9. TRADE AND OTHER RECEIVABLES

	2013	2012	2011
Deposits	23,507,320	20,110,918	12,924,532
Employee costs in advance	7,472,911	14,623,322	5,044,168
Maintenance reserve	81,610,768	34,969,202	48,626,357
Prepayments	173,795,935	132,011,060	88,997,973
Trade receivables	400,459,975	341,934,963	314,982,793
VAT	21,774,418	8,204,211	31,649,809
Total	**708,621,327**	**551,853,676**	**502,225,632**

TRADE AND OTHER RECEIVABLES PAST DUE BUT NOT IMPAIRED

The receivables above include amounts that are past due at the end of the reporting period for which the company has still 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:

	2013	2012	2011
1 month past due	7,248	1,390,965	2,745,307
3 months past due	555,876	1,463,940	5,041,826

Trade and other receivables impaired
As of 31 March 2013, trade and other receivables of R1,689,531l (2012: R3,330,550; R1,271,171) were impaired and provided for.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	72,954	54,999	73,635
Short term depositst	22,503,043	23,661,853	88,267,926
Bank overdraft	(91,514,845)	(85,454,749)	(13,496,062)
Current assets	22,575,997	23,716,852	88,341,561
Current liabilities	(91,514,845)	(85,454,749)	(13,496,062)
The total amount of undrawn facilities available for future operating activities and commitments	24,485,155	30,545,251	102,825,946
Amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group. Refer to note 6, Other financial assets.	73,641,660	69,081,116	-

11. NON CURRENT ASSETS HELD FOR SALE

Reconcilliation of non current assets held for sale - 2013	Opening Balance	Disposals	Total
Rotables	27,305,280	(27,305,280)	-
Aircraft	68,173,846	(68,173,846)	-
Total	**95,479,126**	**(95,479,126)**	**-**

Reconcilliation of non current assets held for sale - 2012	Opening Balance	Additions	Disposals and Scrappings	Transfers to PPE	Transfers from PPE	Total
Rotables	131,344,422	4,900,328	-	(136,244,750)	27,305,280	27,305,280
Aircraft	182,001,350	-	(113,827,504)	-	-	68,173,846
Total	**313,345,772**	**4,900,328**	**(113,827,504)**	**(136,244,750)**	**27,305,280**	**95,479,126**

Reconcilliation of non current assets held for sale - 2011	Opening balance	Transfer from PPE	Disposals	Additions	Total
Rotables	-	131,344,422	-	-	131,344,422
Aircraft	-	182,001,350	-	-	182,001,350
Total	**-**	**313,345,772**	**-**	**-**	**313,345,772**

The aircraft disclosed as held for sale as at 31 March 2012 could not be disposed within one year from the date of classification, due to unfavourable market conditions, where the prices offered were lower than the market value.

However management remained committed to its plan to sell the aircraft and were sold in the current year.

12. SHARE CAPITAL

	2013	2012	2011
Authorised			
1000 Ordinary shares of R1 each	1,000	1,000	1,000
Reconciliation of number of shares issued:			
Reported as at April 01	452	452	452
Issued			
452 Ordinary shares of R1 each	452	452	452
Share premium	501,837,066	501,837,066	501,837,066
Total	**501,837,518**	**501,837,518**	**501,837,518**

13. SHAREHOLDER CONVERTIBLE LOAN

Capital reserves comprise of an interest free shareholders loan (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 instrument, if ever called upon.

	2013	2012	2011
Shareholder loan	356,954,972	356,954,972	356,954,972

14. OTHER FINANCIAL LIABILITIES

	2013	2012	2011
Held at amortised cost			
Nedbank Ltd			
This loan represents a revolving credit facility repayable as follows: R100 million in June 2015; R50 million in October 2015 and the remaining R50 million in December 2015. The interest on the loan is payable quarterly at a rate of 7.3%.	200,000,000	200,000,000	200,000,000
South African Airways			
The loan will be repaid over 14 equal instalments commencing at the end of January 2013 with the last repayment at the end of February 2014.	110,000,000	-	-
Total	**310,000,000**	**200,000,000**	**200,000,000**
Non current liabilities			
At amortised cost	200,000,000	200,000,000	200,000,000
Current liabilities			
At amortised cost	110,000,000	-	-
Total	**310,000,000**	**200,000,000**	**200,000,000**

15. DEFERRED TAX

Deferred tax asset			
Tax losses available for set off against future taxable income	158,386,513	-	-
Reconciliation of deferred tax asset (liability)			
At beginning of the year	-	-	(13,736,726)
(Originating)/reversing temporary difference on fixed assets	(22,828,520)	50,494,546	23,570,954
(Originating)/reversing temporary difference on intangible assets	(324,104)	1,028,121	446,244
(Originating)/reversing temporary difference on provisions	26,182,803	367,587	(14,469,015)
(Originating)/reversing temporary difference on prepayments	(10,573,812)	(2,103,127)	(667,207)
Originating temporary difference on accrual of interest on tax	(1,850,251)	-	-
(Originating)/reversing temporary difference on unrealised foreign exchange	-	8,604	(113,858)
(Originating)/reversing temporary difference on maintenance reserves	(5,941,531)	22,928,212	(3,539,735)
(Originating)/reversing temporary difference on assessed loss	25,456,693	22,336,732	35,481,109
Unrecognised temporary differences not recognised as deferred tax asset prior year	-	26,971,766	-
Unrecognised temporary differences not recognised as deferred tax asset current year	148,265,235	(122,032,441)	26,971,766
Total	**158,386,513**	**-**	**-**

	2013	2012	2011
Unrecognised deferred tax asset			
Deductible temporary differences not recognised as deferred tax assets	-	122,032,441	(26,971,766)
Recognition of deferred tax asses A deferred tax asset has been recognised in the current year as future taxable profits will be available to utilise the deferred tax asset. This decision is based on the forecasts prepared by Management which show that the Company will make taxable profits in the future. Based on the Company's 2020 Strategy, the funding plan and Whole of State Strategy, the Company will be making taxable income that will be utilised against the assessed loss.			

16. TRADE AND OTHER PAYABLES

	2013	2012	2011
Accrued expenses- Leave smoothing	41,576,628		
Accrued salary and wages	9,712,452	6,698,174	7,898,714
Accrued interest	1,705,215	1,533,042	1,394,130
Accrued leave pay	16,260,186	17,591,285	13,938,517
Accrued long term incentives	-	328,319	8,467,948
Passenger service charge	264,716	-	3,717,994
Trade payables	354,768,155	317,873,740	246,223,029
Workmens compensation	1,212,225	1,284,974	1,720,616
Total	**425,499,578**	**345,309,543**	**283,360,955**

17. NEUTRALITY 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.

Reconcilliation of neutrality advance	2013	2012	2011
	177,266,915	177,266,915	177,266,915

18. REVENUE

	2013	2012
Cargo	18,065,076	16,906,291
Passenger	2,202,349,191	1,941,182,995
Release of unutilised air traffic liability to revenue	75,138,263	63,559,552
Total	**2,295,552,530**	**2,021,648,838**

19. OPERATING / (LOSS)

Operating / (loss) for the year is stated after accounting for the following:

	2013	2012
Operating lease charges		
Premises		
• Contractual amounts	12,529,013	10,650,245
Motor vehicles		
• Contractual amounts	895,745	885,529
Equipment		
• Contractual amounts	7,606,729	7,368,639
Aircraft		
• Contractual amounts	269,486,454	198,376,313
Employee costs	488,987,481	444,177,219

20. INVESTMENT REVENUE

Interest revenue

	2013	2012
Bank	6,368,191	8,504,744
South African Revenue Service	6,608,040	-
TOTAL	**12,976,231**	

21. TAXATION

Major components of the tax income

Deferred

	2013	2012
Arising from previously unorganised the loss / temporally difference	(118,107,186)	-
Deferred tax - current year	(40,279,327)	-
	(158,386,513)	
Reconciliation between applicable tax rate and average effective tax rate:		
Applicable tax rate	28%	28%
Permanent differences	(0,41%)	-
Previously unrecognised deffered tax asset	74,88%	(28%)
Capital gains tax	(2,05%)	-
	100,42%	**-**

Reconciliation of the tax expense

22. AUDITORS' REMUNERATION

External auditors	5,451,499	2,216,044
Internal auditors	1,842,296	3,753,103
Total	**7,293,795**	**5,969,147**

23. CASH USED IN OPERATIONS

(Loss) before taxation	(157,736,050)	(365,872,736)
Adjustments for:		
Depreciation and amortisation	142,811,490	143,136,924
Impairment of PPE	1,409,494	22,278,288
Non-cash item - Maintenance	-	83,401,668
Profit on sale of non current assets	(31,528,474)	(99,747,189)
Loss on foreign exchange	-	80
Interest received	(12,976,231)	(8,504,744)
Finance costs	24,706,602	19,713,629
Foreign exchange differences	-	651,710
Inventory and write downs	20,415,185	(12,471,854)
Other non cash items PPE	(21,403,311)	(51,374,257)
Movements in provisions	32,618,813	24,614,989
Other non-cash items - accrual of interest on overpayment of provisional tax	(6,608,040)	-
Changes in working capital:		
Inventories	(28,134,994)	(2,370,879)
Trade and other receivables	(156,767,651)	(49,628,044)
Trade and other payables	80,190,035	61,948,586
Total	**(113,003,127)**	**(234,223,829)**

24. TAX PAID

Balance at beginning of the year	99,736,233	92,481,987
Interest on over payment of provisional tax accrued	6,608,039	-
Balance at end of the year	106,344,272	(99,736,233)
Cash out flow for the year	**-**	**(7,254,246)**

Refer to note 8 for the movement in the tax receivable for the year.

25. RELATED PARTIES

Nature of the relationship
South African Airways (SOC) Limited and Denel (SOC Ltd are state owned entities and therefore have the same shareholders as South African Express Airways (SOC) Limited. South African Airways (SOC) Ltd holds 100% shareholdings in AirChefs (Pty) Ltd, SAA Cargo (Pty) Ltd and SAA Technical (Pty) Ltd.

Terms of related party receivables

South African Airways (SOC) Limited
Payment in respect of flown revenue and relevant levies & taxes for the given month of operation shall be transferred by direct bank deposits on the 18th of each month following the month of operation, and if over a weekend on the following Monday.

Terms of related party payables

South African Airways (SOC) Limited – Fuel
Any amounts payable by South African Express to South African Airways (SOC) Limited shall be invoiced weekly covering all supplier invoices processed, and settlement to SAA shall be effected within 17 days from date of invoice delivery.

Air Chefs (Proprietary) Limited
South African Express Airways (SOC) Limited shall effect payment to AirChefs (Pty) Ltd within 30 days after receipt of the original invoice and statement.

South African Airways Cargo (Proprietary) Limited
Payment will be effected by SA Express to SAA Cargo 30 days from the date of the original invoice and statement.

South African Airways (SOC) Limited
South African Express Airways (SOC) Limited shall pay South African Airways (SOC) Limited in 14 equal monthly instalments commencing from Jan 2013 to Feb 2014. The said instalments shall be payable on or before the 10th day of each month. Interest on the deferred payments shall be charged at the rate at which SAA is charged by standard Bank for its current overdraft facilities. Until such time as the monthly instalments commence from Jan 2013, SA Express shall pay, on or before the 10th day of each month, any amount, including interest charged, that exceeds the R140m(capped).

Denel (SOC) Ltd
The capital sum shall bear interest at 8.5% p.a. Compounded monthly and calculated on the reducing balance outstanding from time to time. SA Express shall pay the capital sum together with interest accrued from time to time in 6 instalments.

	2013	2012
Related party balances		
Neutrality advance Owing (to) by related parties	-	-
South African Airways (SOC) Limited	(177,266,915)	(177,266,915)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
South African Airways (SOC) Limited	260 721 298	235,401,990
South African Airways Cargo (Proprietary) Limited	3,052,062	1,540,851
South African Airways (SOC) Limited	(240,583,608)	(76,819,429)
South African Airways Technical (Proprietary) Limited	(724,374)	(111,771)
Air Chefs (Proprietary) Limited	(5,983,979)	12,452,090
Denel (SOC) Ltd	(2,790,919)	-
Related party transactions		
Purchases from (sales to) related parties		
Denel (SOC) Ltd	3,083,489	-
South African Airways (SOC) Limited	(2,770,239,351)	(2,358,873,073)
South African Airways Cargo (Proprietary) Limited	(18,470,472)	(19,525,112)
Air Chefs (Proprietary) Limited	66,365,825	79,888,585
South African Airways Cargo (Proprietary) Limited	528,923	-
South African Airways (SOC) Limited	973,040,260	956,918,235
South African Airways Technical (Proprietary) Limited	7,471,410	10,867,734

26. DIRECTORS' EMOLUMENTS

Compensation to key management - 2013	Short term employee benefits	Post employment benefits	*Other	Total
Naidoo K (CFO)	-	-	56,500	56,500
J Du Toit (Acting CFO)	1,320,000	-	197	1,320,197
DB Allanby	1,481,319	180,545	81,179	1,743,043
JL Green	406,418	22,910	904,046	1,333,374
WP Hermanus	1,222,925	131,401	88,343	1,442,669
J Jantjies	474,013	26,967	1,241,408	1,742,388
KM Nkala	463,669	21,278	10,813	495,760
A Malola Phiri	467,628	45,997	1,076,866	1,590,491
PB Mashaba	1,155,380	88,464	60,322	1,304,166
RL Vahed	1,581,790	158,211	85,192	1,825,193
BT Van Wyk	537,651	24,927	23,864	586,442
HC Welman	1,274,669	123,536	31,346	1,429,551
Total	**10,385,462**	**824,236**	**3,603,576**	**14,869,774**

* Medical Aid, Funeral cover and Settlements

Compensation to key management - 2012	Short term employee benefits	Post employment benefits	Long term benefits	Total
D Allanby - GM Operations	1,513,667	173,928	539,463	2,227,058
J Du Toit - Acting CFO	441,890	-	-	441,890
J Green - CIO	1,453,316	68,352	517,877	2,039,545
WP Hermanus - GM Human Capital	1,321,454	127,481	411,088	1,860,023
J Jantjies - GM Customer Services and Marketing	1,368,465	64,345	306,027	1,738,837
A Malola Phiri - GM Regional Expansion	1,543,468	108,939	526,218	2,178,625
P Mashaba - GM Risk and Compliance	1,157,448	83,598	452,527	1,693,573
K Naidoo - CFO	259,718	7,063	-	266,781
HC Welman	1,290,480	113,938	314,184	1,718,602
KD Wienand - Acting CFO	358,008	-	-	358,008
R Vahed - GM Technical	1,580,465	147,511	522,809	2,250,785
Total	**12,288,379**	**895,155**	**3,590,193**	**16,773,727**

Executive

2013

	Emoluments	Other benefits*	Other Contributions	Total
I Ntshanga - CEO	1,824,649	185,301	90,630	2,100,580
ZZ Ngwenya - CFO	477,850	24,615	12,478	514,943
			Medical Aid, Funeral cover, and Settlements’	
	2,302,499	209,916	103,108	2,615,523

2012

	Emoluments	Other benefits*	Pension paid or receivable	Gains on exercise of options	Total
I Ntshanga - CEO	1,755,533	200,000	94,682	459,907	2,510,122

Non-Executive
2013

	Directors’ fees	Total
LG Boyle	334,720	334,720
C Christodoulou	178,153	178,153
L Ledwaba	105,333	105,333
BF Mohale	107,921	107,921
B Ssamula	302,824	302,824
A Mabizela	502,080	502,080
B Dibate	197,564	197,564
K Nondumo	187,365	187,365
N Moshimane	157,999	157,999
E Mabyana	178,632	178,632
N Gxumisa	197,564	197,564
G Mothema	200,559	200,559
S Tshifularo	52,666	52,666
V Matsoso	124,912	124,912
Total	**2,828,292**	**2,828,292**

2012

	Directors’ fees	Total
LG Boyle	669,440	669,440
E Bunyenyezi	95,299	95,299
C Christodoulou	283,485	283,485
V Cuba	95,299	95,299
L Ledwaba	159,933	159,933
BF Mohale	215,842	215,842
B Ssamula	238,175	238,175
G Van Heerden	190,599	190,599
MJ Vuso	249,825	249,825
Total	**2,197,897**	**2,197,897**

27. 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. Furthermore, to provide returns for its shareholder and benefits for all 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 notes 13 and 14, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

The company has an obligation to maintain equity in excess of R 1 billion as per the financial institutions. (Refer to the directors report Going concern paragraph.)

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

Financial risk management

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

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.
The company uses natural hedges through dollar denominated revenue to hedge certain industry risk exposures. The airline's policy is not to formally hedge considering the net exposure. The net exposure is constantly monitored, evaluated and managed in close cooperation 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 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 following table 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.

At March 31, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	-	110,000,000	20,000,000
Trade and other payables	425,499,578	-	-
Neutrality advance	177,266,915	-	-
Bank overdraft	91,514,845	-	-

At March 31, 2012	Less than 1 year	Between 2 and 5 years
Borrowings	-	200,000,000
Trade and other payables	345,309,543	-
Neutrality advance	177,266,915	-
Bank overdraft	85,454,749	-

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 and short term deposits.

FINANCIAL STATEMENTS

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

Balances (Financial Exposure)	2013	2012
Loan-interest at 6.225% per annum	(200 000 000)	(200 000 000)
Loan –interest at 6.2% per annum	(110 000 000)	(110 000 000)
Deposit-interest at 7.15% per annum	23 507 320	20 110 918
Investment-interest at 6.25%	73 614 660	69 081 116
Overdraft - interest at 7.15%	(91 514 845)	(85 454 749)

Based on the above 1% increase in interest rate would have had the following impact:

Net impact / 1% increase in interest rate	2013	2012
Loan – interest at 6.225% per annum	(2 000 000)	(2 000 000)
Loan – interest at 6.2% per annum	(1 100 000)	(550 000)
Deposit - effective interest at 4.7% per annum	264 522	201 110
Investment – effective interest at 6.225% per annum	730 720	690 811
Overdraft – effective interest at 4.09% per annum	(884 848)	(854 547)
Net impact	**(2 989 606)**	**(2 512 626)**

Currency risk

The company undertakes certain transactions denominated in foreign currencies which therefore have exposure to exchange rate 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 as 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.

Foreign currency exposure at the end of the reporting period

	2013	2012
The rand to the dollar at the end of the financial year was	9,2336	7,6779
The average for the year was	8,5087	7,4204

Financial Assets by category

	2013	2012
Deposits	23,507,320	20,110,918
Trade and other receivables	670,637,119	514,370,727
Cash on hand	79,954	54,999
Short term deposit	22,503,043	23,661,853
Prepayments	14,476,888	17,372,031
Investments - Standard Bank	73,641,660	69,081,116

Financial liabilities by category

	2013	2012
Trade payables and passenger service changes	354,768,155	317,873,740
Bank overdraft	91,514,845	85,454,749
Neutrality advance	177,266,915	177,266,915
Borrowings	200,000,000	200,000,000

28. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Refer to the Directors' Report (note 12) for further details. The appropriate corrective and/or disciplinary actions have been taken (where necessary).

Irregular expenditure

Irregular expenditure was incurred as the procurement processes were not adhered to in the procurement of such goods and services. A policy has since been put in place to deter the reoccurrence of the incurring of such expenditures and also to hold those responsible accountable as per provisions of the Public Finance Management Act. Following is a list of Fruitless and Wasteful

Fruitless and Wasteful Expenditure

The fruitless and wasteful expenditure was incurred due to the interest and penalties incurred from late payments and returns of pull stock agreements, when the stock is not replenished by supplier due to late delivery lead times. The action plan entails SA Express 60-day pre-planning the maintenance requirements and stocking mandatory spare parts as an when replenished based on service history for the fleet.

Fruitless and wasteful expenditure

	2013	2012
Opening balance	516,293	-
Incurred during the current year	9,378,461	516,293
Total	**9,894,754**	**516,293**

29. FINANCE COSTS

	2013	2012
Bank	19,999,359	17,783,719
Interest paid	4,707,243	1,929,910
Total	**24,706,602**	**19,713,629**

30. CONTINGENCIES

SA Express (SOC) Ltd 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:

	2013
Airports Company of South Africa	110,822
Commissioner for Customs and Excise	275,000
Richards Bay Airport Company (Pty) Limited	1,700,516
Canadian Regional Aircraft Finance Transaction No. 1 Limited	8,265,716
Horizon Air Industries Incorporated	10,710,375
Computershare	7,158,701
Lighthouse	4,428,062
Air Traffic Navigation Services Limited	9,950,000

South African Express (SOC) Ltd 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:

	2013
Q400 Leasing Ltd	20, 000, 000
Lufthansa Technik	4, 154, 670

31. COMMITMENTS

Operating lease requirements for the business mainly relates to the leases from aircraft lessors. The leases that are dollar denominated were converted using a year end rate of R 7.6779:1 USD.

Details of commitments

	2013	2012
Payable within 1 year	206,276,832	227,261,528
Payable within 2 - 5 years	735,871,303	746,463,081
Over 5 years	698,548,156	894,233,210
Total	**1,640,696,291**	**1,867,957,819**

32. IMPAIRMENT OF PPE

	2013	2012
Gains or losses arising from a change in fair value less costs to sell	-	(22,278,288)
Scrapping arising subsequent recognition of property, plant and equipment	(1,409,494)	-
Total	**(1,409,494)**	**(22,278,288)**

Scrapping of assets in the current year relates to rotables which are unusable and those that do not exist at year end.

33. PROVISIONS

Reconciliation of provisions 2013

	Opening balance	Additions - FMPS	Total
Aircraft restoration	68,950,588	32,618,813	101,569,401

Payments made to a service provider under full maintenance programs (FMP's) were recognised as an expense when incurred. This policy was subsequently changed in the current year, thus a provision on consumption of benefits from the asset and prepayment for future restoration of the asset was recognized.

RECONCILIATION OF PROVISIONS 2012

	Opening balance	Additions	Total
Aircraft restoration	44,335,599	24,614,986	68,950,588

Payments made to a service provider under full maintenance programs (FMPs) were recognised as an expense when incurred. This policy was subsequently changed in the current year, thus a provision on consumption of benefits from the aircraft was recognised i.e. provision for bringing the aircraft to its original condition.

34. CHANGE IN ACCOUNTING POLICY

Description	2012	2011	2010
Full Maintenance Programs (Flight Maintenance Plans)	12,471,853	14,279,987	18,936,610

As a result an asset by a way of prepayment and the relating provision was recognised.

The present values of the FMP's were calculated using the following discount rates and periods (month) : 7,23% and 63 months (2013) ; 7,7% months (2012); 7,675 and 87 months (2011);8,79 and 99 months (2010). The discount rates are equal JIBAR + 2,1%.

Statement of Financial Positions	2013	2012
Prepayments	159,319,046	114,639,029
Provisions	(101,569,400)	(68,950,588)
Opening retained earnings	-	(45,688,441)
Deferred Tax	(16,169,900)	(12,792,763)
Profit / (Loss)		
Maintenance Cost	(14,260,533)	(14,131,522)
Finance Costs	2,199,328	1,659,669

35. PRIOR PERIOD ERROR

Description

	2012	2011
Depreciation and Amortisation for Untailed Aircraft items accounted for	(46,040,296)	(51,169,169)
Profit on Sale of Asset adjustments on Assets Held for Sale corrected	(20,444,389)	-
Correction of Accumulated depreciation per the Accouning policy	-	235,796,149
Expense reversed to maintenance costs		(18,286,402)
Impairment loss adjusted per the current Accounting policy	-	(37,837,011)
UTL Revenue	(853,564)	(4,772,539)
SARU Tickets	(1,169,060)	(4,105)
Total	**(64,462,054)**	**133,280,211**

The 2010/2011 closing balances for aircraft under property, plant and equipment were disclaimed due to the impairment adjustments that were processed. This is because the impairments processed were not according to the Company's policy. Following an action plan and consultation with the Auditor General - South Africa to address the disclaimer, depreciation and impairments calculations were reperformed in accordance with the Company's policy, including for those relating to untailed items .

IAS 16 requires consistent application of the accounting policy for the amortisation of PPE, yearly assessment of the impairment value of PPE and yearly assesment of the residual value of PPE:

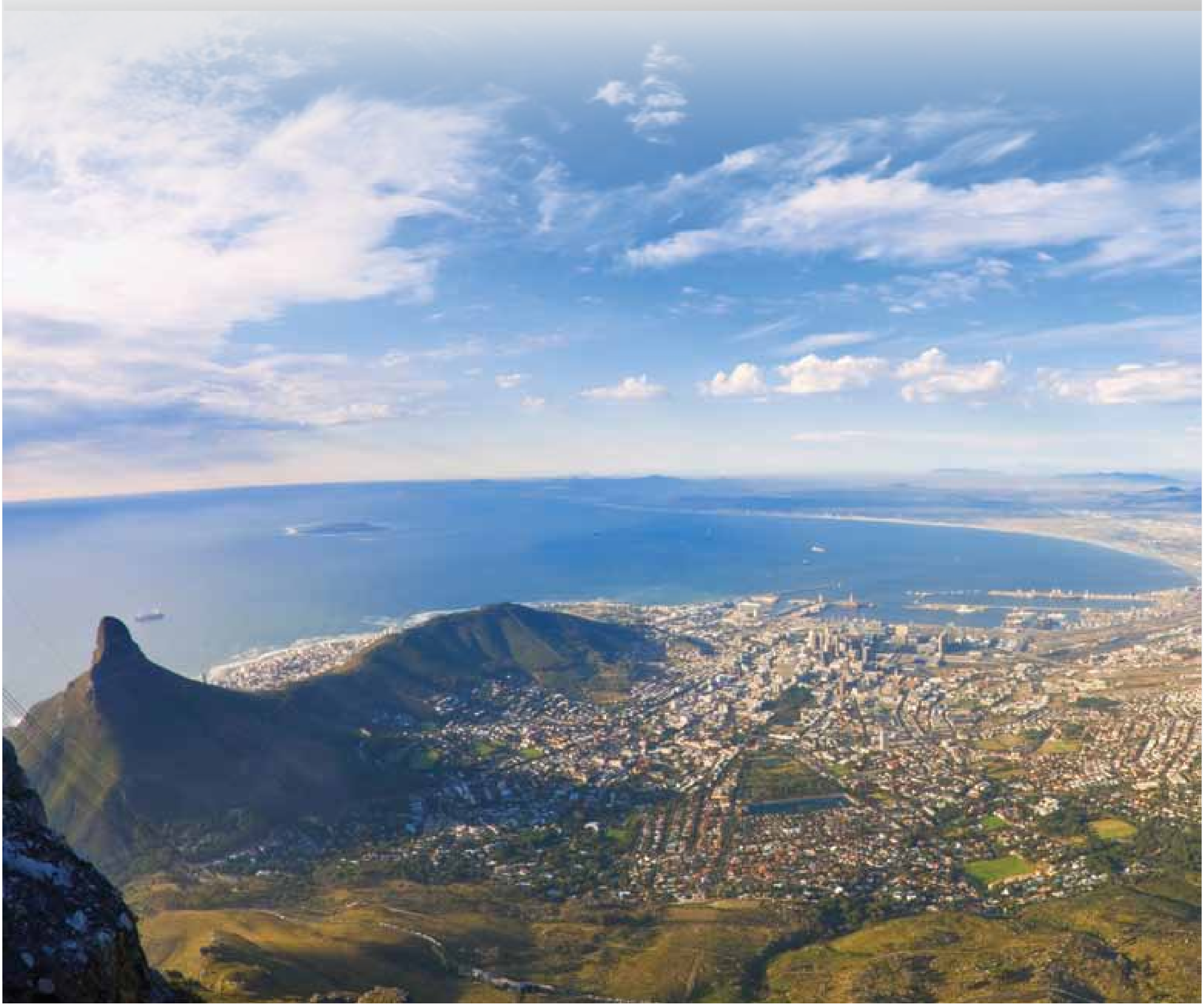
- The company recalculated all the aircraft values from the acquisition dates and apply consistent useful lives.
- The company recalculated the Value in use of the aircraft comparing it to the Market values to assess the recoverability of the aircraft book value.
- The company recalculated the Profit and loss of the Assets Held for Asset consistent with above recalculations to determine the correct adjustments per year.
- The expenses were then recognised in the correct accounting period.

36. CHANGE IN ESTIMATE

Property, plant and equipment

The residual values of the aircraft were revised in the year under review from 0% (2012); 13% (2013). The effect of this revision has decreased the depreciation charges for the current period by R2,182,283 .

The impact on tax is NIL. The deferred tax impact is R 611,039.24.



GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Aviation
DIRECTORS	A Mabizela (NE) I Ntshanga (E) B Ssamula (NE) B Dibate (NE) K Nondumo (NE) N Moshimane (NE) E Mabyana (NE) N Gxumisa (NE) G Mothema (NE) ZZ Ngwenya (E) *E - Executive Director **NE - Non-Executive Director
REGISTERED OFFICE	4th Floor offices West Wing Pier Development OR Tambo International Airport 1627
BUSINESS ADDRESS	PO Box 101 OR Tambo International Airport 1627
SOLE SHAREHOLDER	Department of Public Enterprises on behalf of the South African Government incorporated in accordance with the Companies Act of the Republic of South Africa
BANKERS	First National Bank Nedbank a division of Nedbank Group Limited
EXTERNAL AUDITORS	Auditor General of South Africa Registered Auditors
COMPANY SECRETARY - ACTING	M Gie
COMPANY REGISTRATION NUMBER	1990/007412/07
TAX REFERENCE NUMBER	9466416840
PREPARER	The annual financial statements were internally compiled by Mr ZZ Ngwenya Chief Financial Officer and Executive Director

SA Express Airways

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