ANNUAL REPORT 2010/2011

sa express

we fly for you

THE NAMING OF CLOUDS

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

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01
ABOUT SA EXPRESS

THE SPIRITS SURROUND US

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

01

Vision

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

Mission

To provide the best customer service whilst optimising profits.

Values

SAFETY FIRST

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

SERVICE BEFORE SELF

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

PASSION

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

PERFORMANCE DRIVEN

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

SELF DEVELOPMENT

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

ACCOUNTABILITY AND INTEGRITY

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

Strategic Overview

SA Express' adherence to its core strategic imperatives forms the foundation of the airline's financial success over the last few years. By focusing on these business objectives, SA Express has weathered the effect that the unstable economy and challenging aviation landscape has had on its operation.

The strategy includes providing a strong feeder network to international carriers. The airline is also committed to stimulating and developing new secondary entry points into the SADC region.

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

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

Regional Expansion: SA Express' launch of Congo Express, a DRC-based domestic carrier, formed part of its vision to expand the airline's regional footprint. To achieve its goal of being regional carrier of choice, SA Express also increased its fleet to stimulate and service thriving secondary markets.

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

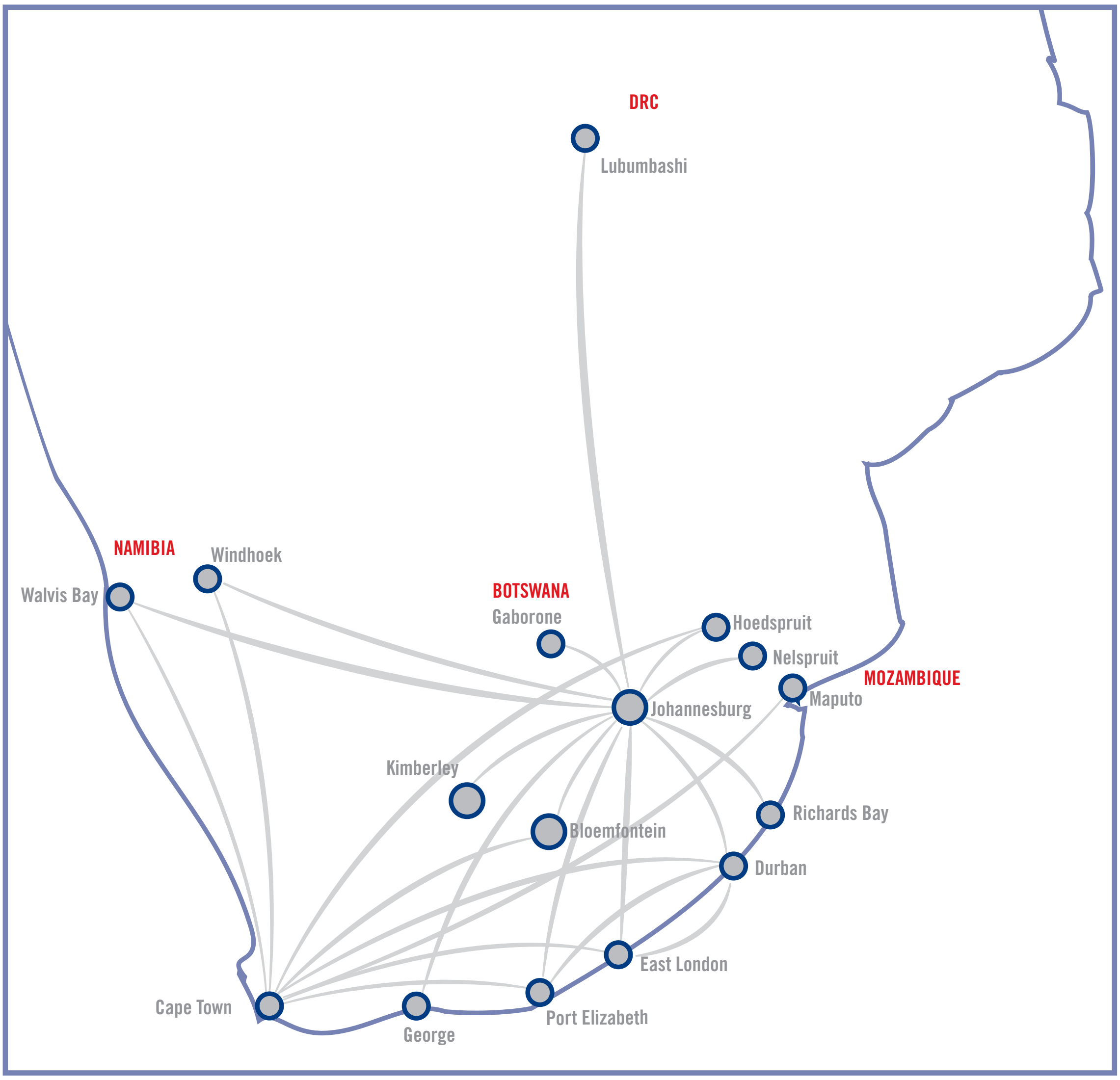
Key Performance Indicators

REVENUE GROWTH **2.1%** Compare to a decline of .05% in the prior year	**INCREASE IN PASSENGERS CARRIED** **1.01%** Compared to a decline of 5.4% in the prior year
FLEET **27** This is an increase of 3 units from the prior year	**LOAD FACTOR** **64%** This is 3% higher than the prior year
REVENUE PER AVAILABLE SEAT / KM **0.94c** This is a 2% decline compared to the prior year	**COST PER AVAILABLE SEAT / KM** **0.68c** This is a 5c decrease from the prior year
ON TIME PERFORMANCE (15min) **85%** This is a 2% decline compared to the prior year	**OPERATING PROFIT MARGIN** **3.1%** This is a 7.7% decrease from the prior year
GEARING RATIO **61%** This is a 16% increase from the prior year	**RETURN ON ASSETS** **3%** This is a 18% decrease from the prior year

SA Express Route Network

TRAVEL ROUTES

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



SA Express Fleet

SA EXPRESS' FLEET OF 23 AIRCRAFT IS MANUFACTURED BY BOMBARDIER AEROSPACE. THESE MODERN, NEW GENERATION AIRCRAFT ARE DESIGNED TO EFFICIENTLY SERVICE THE REGIONAL MARKET: THE FUEL EFFICIENT 70-SEATER CRJ 700, THE 74-SEATER Q400 WHICH IS KNOWN TO BE THE QUIETEST TURBOPROP CABIN IN THE SKY, THE 50-SEATER CRJ 200 AND ALSO THE 50-SEATER DASH 8 300 AIRCRAFT. THE LATTER FORM THE MAJORITY OF THE SA EXPRESS FLEET.

CANADAIR REGIONAL JET 200 BER

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

CANADAIR REGIONAL JET 700

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

DE HAVILLAND DASH 8 SERIES 300 TURBOPROP

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

DE HAVILLAND DASH 8 SERIES Q400 TURBOPROP

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

02
CHAIRPERSON'S REPORT

GOOD OMENS

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

02

The 2011 financial year was a very significant year for South Africa and all South Africans. The 2010 FIFA World Cup™ was proudly and ably hosted for the first time on African soil. It was not a smooth journey for the country, but in the end every South African did their best to welcome the world and display the spirit of camaraderie that is typical of this soccer spectacular. Neither the cold weather, nor the country's early exit from the tournament, could dampen the month-long party; Simphiwe Tshabalala's opening goal is probably as memorable as the birth of the country's democracy. It was indeed a magical time.

The months that have followed since then have been a more sober time for the aviation industry. While the global economic recession appeared to be slowly turning around, the impact is still visible on the industry and indeed the country. Even though South Africa was spared the turmoil exacted on the financial service industry, our economy shed close to 900 000 jobs putting further pressure on existing and new employment initiatives.

SA Express underwent some changes in leadership with the appointment of Mr Inati Ntshanga as CEO. During the year under review Mr Vuli Cuba and Mr Lesibana Ledwaba were also appointed to the Board as Non-Executive Directors. Mr N A Madalane and Mr S Nicoloau resigned as Directors. I wish to thank them for their contribution.

The change of executive in the Department of Public Enterprises in November 2010 created an opportunity for the ministry to renew their focus on strategic objectives and on achieving the objectives of the New Growth Path, specifically in relation to job creation. Minister Gigaba and Deputy Minister Martins have been working closely with the SA Express Board to ensure that the airline continues to achieve its financial and non-financial targets in line with the approved strategy.

During my 2009/2010 report we announced our entrance into the DRC domestic airline business through Congo Express. This project, whilst initially appearing viable, has over the last year proved to be extremely challenging, due to the changes in the operating environment. The Board was faced with the inevitable and difficult decision to disinvest in the business and focus on the Johannesburg-Lubumbashi route, which continues to be profitable.

ACKNOWLEDGEMENTS

SA Express welcomes the shareholder's commitment to creating a partnership that will help South Africa achieve its economic objectives through the compact and ongoing interactions in the Chairperson's and CEO's forum.

SA Express was appointed the domestic carrier for all the teams participating in the 2010 FIFA World Cup™. This was a test of the airline's capabilities and the individual and collective efforts of all staff contributed to a successful result. Thank you to all staff who made this possible.

A change of leadership is always a testing time for any organisation and it is pleasing to see that relationships developed by the new team, internally and externally, are of a high quality. Mr Ntshanga and the management team have stepped up ably to the task at hand and the Board is certain that their commitment and leadership will stand SA Express in good stead in the future.

My Board colleagues faced a year of significant challenges and their contribution, active participation and wise counsel was greatly appreciated as always.

2011/2012 financial year will be a great one for SA Express when we embark on the fleet renewal programme. Seven Bombardier Q400s will be delivered between the second and third quarter of 2011. The fleet renewal programme will not only enhance the customer experience, but also increase the airline's profitability. The strategy to improve and grow our network to key regional destinations in the continent will be accelerated with the acquisition of new aircraft.

L.G Boyle

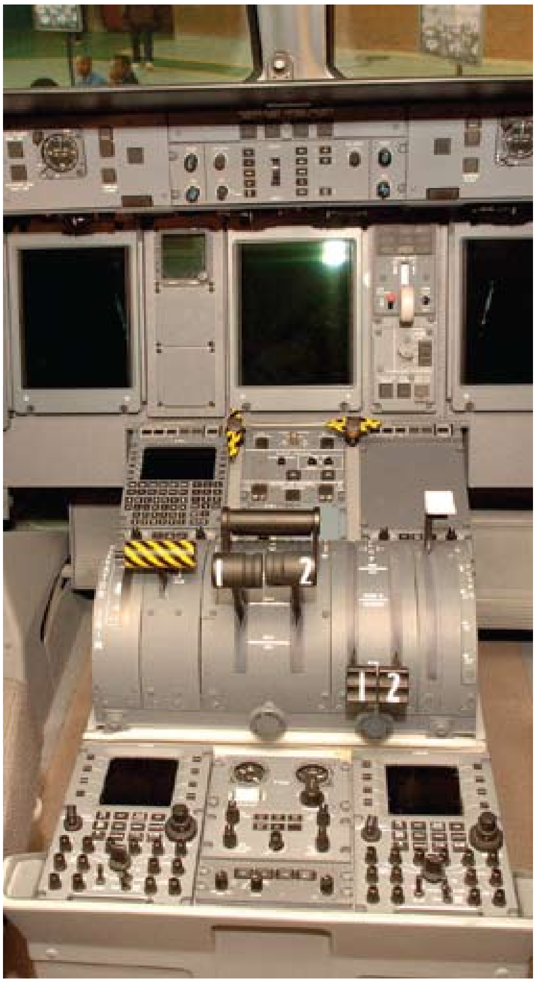

DANGER
HOT
EXHAUST

03
CEO'S REPORT

SPEEDING THROUGH THE HEAVENS

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

03



LADIES AND GENTLEMEN,

As much as we admire solo achievement, the truth is that no significant milestone in history has ever been achieved by a lone individual. A Chinese proverb states that "behind an able man there are always other able men", upon reflection on the past financial year, without a doubt we know that 2011 was an intricate year for SA Express, one which brought with it many challenges and important strategic decisions.

Turbulence is endemic to flying. It is also an eternal attribute of the airline industry. As part of an ever-changing world economy there were many industry and internal challenges we were faced with during this financial year. As we land from this journey we look ahead to the future, knowing that success is not measured by the harvest, but by the seeds we sow. Knowing that our success is, for the most part, due to the incomparable hard work and dedicated service of all our employees who continue to give 100% in all they do and that their passion, desire and drive to live our brand promise is what separates us from the competition.

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

- The symptoms of the recovery from the recession posed a national challenge in the behaviour patterns of our customer and, as a business like all others, cost cutting initiatives were high on the list of priorities. Increased fuel prices and other regulated costs also posed a challenge and as the fleet was ageing, reliability remained a concern.
- SA Express had two incidents in Kimberley and Walvis Bay during the year, both handled superbly by all involved; however, the recovery of the aircraft proved to be a trying time with lack of available support and spares.
- The excitement of the launch of Congo Express as the expansion venture into the DRC was short-lived, as market conditions and the cost structure of operations made it impossible to maintain our chosen course in poor visibility. The decision to withdraw has not been an easy decision but a crucial decision to ensure the sustainability of SA Express. Even in the near future we will make our corporate decisions with the necessary prudence and foresight and retain our focus on sustainable value creation for all stakeholders. This methodology will ensure that we identify risks in time and take the required action. The contrary is also true that this will allow us to recognise opportunity at an early stage, do the necessary analysis and risk profiles and be able to capitalise on them.

When reflecting on the past year one cannot file the boarding pass of this journey without acknowledging the historical events witnessed, as a business and as ambassadors of the country. SA Express was awarded the contract to carry the teams during the 2010 FIFA World Cup™ and, with a lot of preparation, managed to fly the flag high.

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

With the fleet renewal tender finalised, SA Express is proud to be offering our customers not only a competitive product, but also a more economical product in the near future. The fleet of the future still requires a mixed fleet of Turbo props and Jets. The products of choice were identified as the Bombardier Q400, and the Embraer E-175.

SA Express will be receiving seven Q400 Turboprops as part of the new generation modern aircraft fleet, during the next financial year, which will increase our gauge from 50 to 70 seaters.

The turboprop has many advantages, such as reduced carbon emissions (more friendly to our environment), reduced noise with Q Technology (Q means Quiet), outstanding aircraft reliability (most reliable in the fleet), increased economies mean cheaper operating costs, more efficient engines (more power, less fuel), outstanding passenger comfort and with comparable flight speeds to Jet aircraft on the Q400 turboprop engines. We believe that our customers will be more than satisfied to associate with these aircraft.

Despite all the challenges, and with no reference to the past, we believe that our sustainable earnings are comparable to past earnings – and that these abnormal items will not occur in future. SA Express remains a profitable entity and a profitable State Owned enterprise.

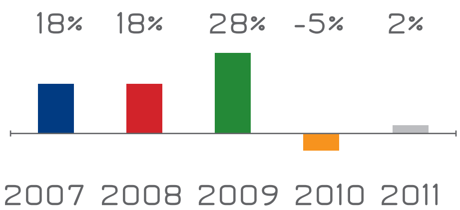
Sustainable Earnings Comparison	Mar-11	Mar-10
	Rm	Rm
Profit before tax	51	349
Impairment on Congo Express excluding Opportunity Cost	35	-6
Reclassification adjustment	-	-163
Fair value adjustments	1.9	0.3
Change in estimate – UTL and leave accrual	-	-39
Fuel surcharge – UTL	-	-11
Prior period over/under accruals	14	-14
Prepayments not expensed	7.3	-7.3
Total before tax	109.2	109

Revenue generated for this financial year increased by 2.1% compared to the prior year. However, with the strategic objective in mind to reach the R2 billion turnover mark, SA Express generated a total revenue of R1 646 million, which is below the set target.

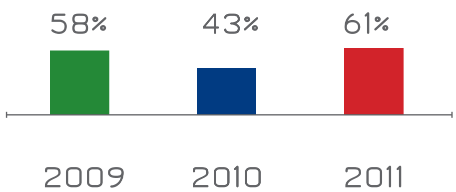
The impairment of debt extended to Congo Express, amounting to R35m has had a material impact on the final results of the company – other major impacts relate to the unavailability of two aircraft and the loss of market share on regional routes such as Gaborone. The preparations for the 2010 FIFA World Cup™ created a permanent difference in the cost of training and maintenance and despite the income from the teams, business travel was minimal during this period. Further increases in operating costs relates to the impact of regulated costs such as navigation and parking, which increased on average by more than 50%, these increases impact all airlines within the country.

The Balance Sheet position remained strong throughout the financial year with strong liquidity positions such as the current ratio of 3.78; the Gearing ratio slightly decreased from the prior year and, as we look to the market for fleet funding, our strategy remains to fund the fleet plan on the strength of our own Balance Sheet. The quick ratio shows an improvement from 2010, indicating that the ability to operate as a going concern has improved.

REVENUE GROWTH



DEBT EQUITY



Looking ahead to the next financial year we know what we need to do to ensure sustainable profitable growth. We know that we need to remain focused on our strategic objectives and we must preserve our core financial and competitive strengths to guarantee success.

We acknowledge that competition is becoming fierce in the South African market and that, as an industry, we need to increase accessibility of air travel for all travellers, and acknowledge that customer service has become a defining factor for airlines. The customer views his/her travel experience as an end-to-end service and therefore, as a team, we are working hard on our strategy to address the expectations of our customers.

The fleet renewal will result in both increased capacity and increased efficiencies. As an airline we constantly remain focused on our cost structures and aim to reduce costs where possible, without compromising on safety and service.

We are looking to expand our regional airline routes into East and West Africa and aim to strengthen our Africa Hub to become a stronger feeder for international network carriers.

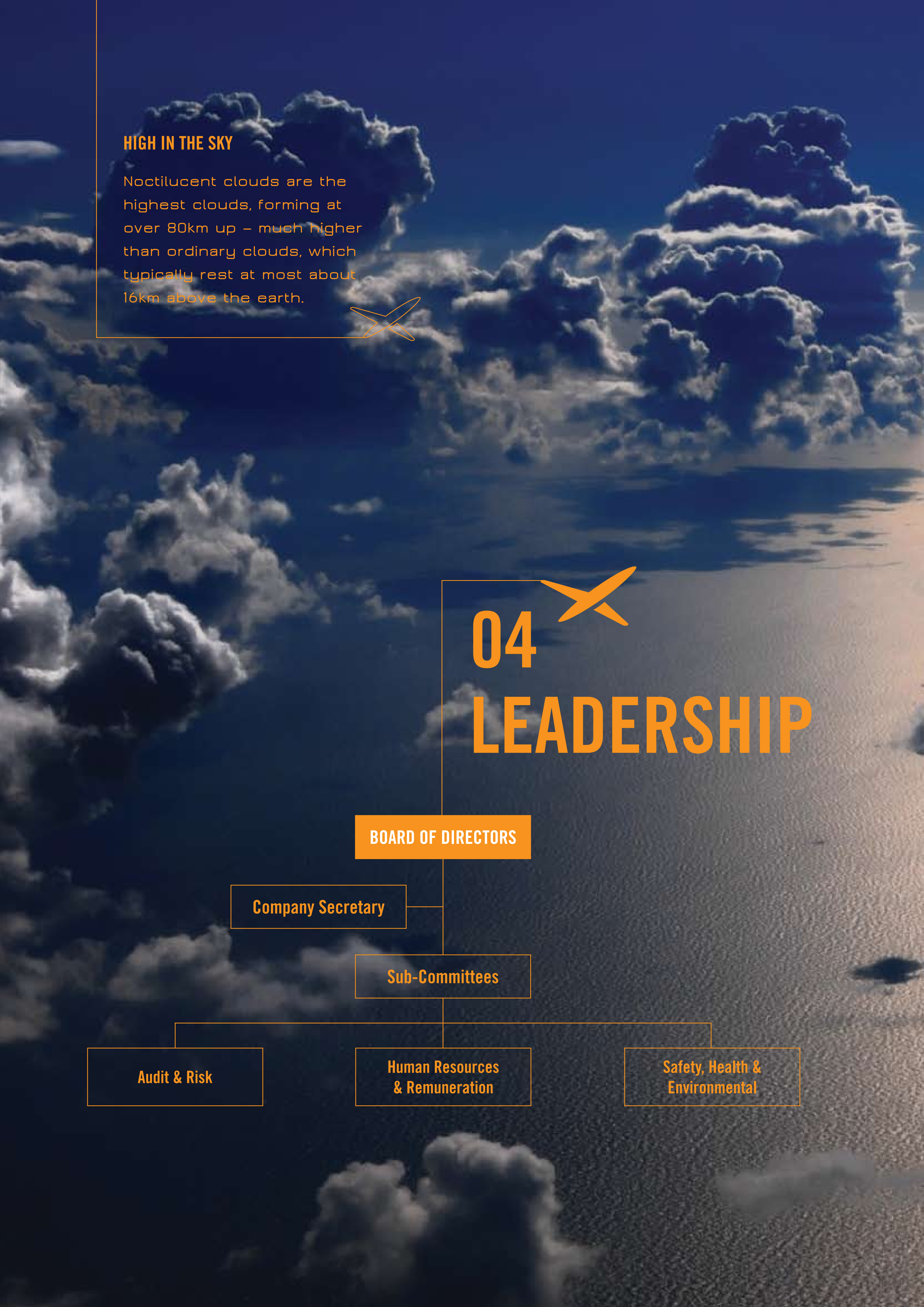
Exponential growth in turnover of 27% is budgeted for the next financial year, supported by a steady increase in expected passenger numbers in the long-term with a focus on maintaining sustainable earnings.

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

"The journey of a thousand miles begins with one step."

As WE FLY FOR YOU, we thank you for joining us onboard this journey.

Inati Ntshanga



HIGH IN THE SKY

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

04 LEADERSHIP

BOARD OF DIRECTORS

Company Secretary

Sub-Committees

Audit & Risk

Human Resources & Remuneration

Safety, Health & Environmental

04 BOARD OF DIRECTORS

LILLIAN BOYLE

Chairperson of the Board of Directors

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

INATI NTSHANGA

Chief Executive Officer

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

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

04 LEADERSHIP (continued)

Non-Executive Directors

EZRA BUNYENYEZI

Ezra Bunyenyezi - 66, is a prominent Rwandan businessman and a well-known corporate personality in East, Central and Southern Africa. For over 40 years, he has enjoyed a wide range of business exposure, at management and Board level, in various sectors, including banking, microfinance, insurance, real estate, telecoms, power, IT, logistics and communication. He is highly respected for his people management skills - and a very energetic member of several Boards. Ezra holds a Diploma in Mass Communication as well as a Diploma in International Travel and Consulting.

CHRIS CHRISTODOULOU

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

BONANG MOHALE

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

BRIDGET SSAMULA

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

GLENN van HEERDEN

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

MATSOTSO VUSO

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

LESIBANA LEDWABA

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

Mr. Ledwaba has served on:

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

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

VULINDLELA CUBA

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

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

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

EXECUTIVE TEAM

CHIEF EXECUTIVE OFFICER

- General Manager: Customer Services & Marketing
- Chief Financial Officer
- General Manager: Strategy & Revenue Management
- General Manager: Human Capital
- General Manager: Operations & Cargo
- General Manager: Technical Maintenance & Engineering
- General Manager: Risk & Compliance
- General Manager: Africa Expansion
- Company Secretary
- Chief Information Officer

INATI NTSHANGA

Chief Executive Officer

(please see Board profiles)

DAVE ALLANBY

General Manager: Operations & Cargo

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

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

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

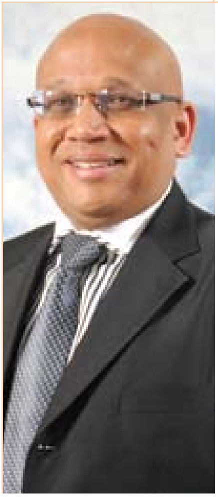
04 LEADERSHIP (Executive Team continued)

JENEAN GREEN
Chief Information Officer

As information technology (IT) plays an increasingly important role in business operations, Jenean Green and her team deliver function and value in IT processes and structures to ensure SA Express' seamless performance. Jenean has 29 years of experience in IT and has vast experience in manufacturing, construction, retail, government and airline organisations.

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

WESLEY HERMANUS
General Manager: Human Capital



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

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

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

ZUKI JANTJIES

General Manager: Customer Service and Marketing

As General Manager for Customer Service and Marketing, Zuki provides leadership to the Airports Operations, Product and Catering, Sales, Direct Channels, Group Sales & Reservations and Marketing teams.

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

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

ARSON MALOLA-PHIRI

General Manager: Africa Expansion

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

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

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, and is currently completing a PhD in Management of Technology and Innovation.

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 development.

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

He currently leads the highly skilled team responsible for maintaining and supporting SA Express' fleet of 27 regional aircraft. He is focused on building brand equity for the airline by ensuring that fleet performs in line with international best practice. Under his direct leadership SA Express has attained four international awards for performance and reliability. He holds a Post Graduate diploma in Management Practice from the University of Cape Town.

ESTE WELMAN
General Manager: Business Development and Revenue Management, and Acting CFO

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. In 2008 she was leading the finance department, and fulfilled the role of Acting CFO before her appointment in her current role. In her current role she will provide strategic direction in terms of routes, new destinations, scheduling of flights and aircraft to ensure that revenues are maximised.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05 SUSTAINABILITY

WORDS OUT OF AIR

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

05

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

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

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

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

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

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

The overall passenger load factor has increased at 64% from the previous year, while the aircraft utilisation went down to 6 hours from the previous year's 7 hours.

The number of employees increased to 1026 from the previous year's 931, with expenditure on training increasing by 24% from R26.50 million to R32.96 million. Of the total workforce, 57% employees were black against the previous year's 60% with 38% female against the previous year's 40%. The percentage of black employees in management dropped to 51% from the previous year's 60%, while the percentage of female employees in management increased to 36% from the previous year's 31%. Clearly, employment equity remains an issue for SA Express to address as we move towards sustainability.

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

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

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

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

Key Sustainability Challenges

SA Express faces the following sustainability challenges:

1. Pressure on Profitability

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

2. Increased Competition

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

3. Reliability

It is imperative to achieve the On-Time-Performance target of 91%, as well as the airline's scheduled maintenance plans. Reliability has also been affected by the delayed arrival of the new fleet making it difficult to recover on the performance indicator. Reliability is further aggravated by the technical serviceability of SA Express' ageing fleet, growth challenges relating to the company's expansion, operational departmental issues and staff complement, as well as flight crew shortage.

4. Delay of the Fleet Renewal

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

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

5. Congo Express

During 2010 we announced our entrance into the DRC domestic airline business through Congo Express. This project, whilst initially appearing viable, has over the last year proved to be extremely challenging, due to the changes in the operating environment. The Board was faced with the inevitable and difficult decision to disinvest in the business and focus on the Johannesburg-Lubumbashi route, which continues to be profitable.

6. Consumer Protection Act

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

7. Human Resources

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

8. Cargo

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

9. Climate Change

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

10. Sustainable Customer Relations

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

Developments in 2010/11

1. Financial Sustainability

From a financial and economic perspective, revenue was marginally higher (2%) than the previous year, with net operating costs considerably up at 14% and the operating profit margin lower at 3.1%. At R80 million, net cash at the end of the year was 16% higher than the year before. The value added to employees, as well as to the providers of finance, was also higher during the year under review, with the value added to Government and the business being lower in accordance with the profit made.

SA Express' liquidity position (current assets: current liabilities) has improved by 94% compared to the previous year and currently stands at 3.5 times while the solvency ratio (total assets: total liabilities) declined slightly to 2.6 times, on par with the budget.

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

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

2. Health and Safety

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

In order to improve the capacity SA Express will, during the next financial year, introduce health and safety leadership interventions that include identifying critical and highly visible behaviours to be demonstrated by Executive management so as to set the tone for health and safety commitment by all by:

- implementing a leadership visibility programme where leaders go to the shop floor and engage employees on health and safety matters;
- incorporating health and safety into performance appraisals and holding managers accountable for health and safety performance in their areas;
- training leaders in health and safety legislation and company standards.

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

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

3. Regional Operations

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

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

4. Human Capital

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

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

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

Building an Employer of Choice Brand

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

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

Employee relations

The 2010/2011 financial year was very stable from an employee relations perspective. This was due to the fact that 2-year salary agreements were concluded with all recognised unions during the 2009/2010 financial year in order to provide stability and labour peace during the critical 2010 FIFA World Cup™ period. SA Express spent 8% of its total personnel cost on training and development for the current financial year.

Leadership Development

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

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

Functional Training

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

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

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

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

Organisational Development and Wellbeing

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

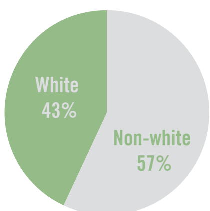
SA Express also promoted employee wellbeing through an integrated Employee Assistance Programme, HIV/Aids employee support and the communication and management of professional services for the benefit of employees.

Employment Profile

The SA Express head count was 1026 staff members as at 31 March 2011. The overall employment profile reflects very positively against national and industry benchmarks. It shows a positive demographic profile change of 3% from the previous year. The demographic comparison of 43% white and 57% black, with a gender profile of 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)

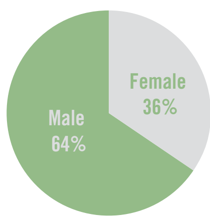
EMPLOYMENT PROFILE

FIG 1



GENDER PROFILE

FIG 2



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

2011/12 Human Capital Strategy

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

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

5. BBBEE and Transformation

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

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

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

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

- Apprenticeship development with an emphasis on gender equality;
- Launching various Learnerships across all levels with a primary focus on designated groups;

- The Cadet Pilot Programmes, as the flagship programme;
- Identifying and placing people living with disability (both internally and externally); and
- Recruiting and selecting against specific targets.

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

SA Express' investment in formal employee training and development during 2010/11 increased by 24% to R36.96 million from R26.50 million the previous year.

6. Environment

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

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

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

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

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

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

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

7. Community Development

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

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

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

8. Ethics

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

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

- To guide the behaviour of all persons appointed to act in one way or another on behalf of SA Express when on duty or during the course of duty and when acting on behalf of/or representing the airline.
- To provide a framework for identifying conduct that is ethical and acceptable for employees and representatives of SA Express.
- To ensure that all stakeholders are aware of the basic values cherished by SA Express.
- To ensure accountability within SA Express for fundamental ethical values and value systems.

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

9. Stakeholder Engagement

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

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

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

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

10. Customer Relations

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

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

- identification of customer/client needs
- staff training programmes
- strategic alliances/code sharing
- market engagement
- innovation and education
- focus on quality, cost and performance delivery

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

Sustainability Performance

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

Performance Dimension	Performance		Movement
	2010/11	2009/10	
Financial and Economic			
Revenue (Rands)	1,646,154,387	1,612,530,534	Up
Net operating expenses (Rands)	1,696,083,416	1,492,834,929	Up
Operating Profit Margin	3,12%	10.8%	Down
Year end net cash (Rands)	80,053,626	68,782,327	Up
Value added to employees (Rands)	415,594,739	385,821,621	Up
Value added to providers of finance (Rands)	11,596,469	6,231,190	Up
Value added to Government (Rands)	876,951	97,773,124	Down
Value added to the Business (Rands)	51,354,171	250,759,472	Down
Cargo as a % of Turnover	0.73%	0.77%	Down
Aircraft utilisation (Average hours per day)	6	7	Down
OTP 15 min rule (%)	85%	87%	Down
Passengers transported	1,399,893	1,385,829	Up
Passenger Revenue (Rands)	1,316,269,791	1,232,106,753	Up
Average Revenue per Passenger (Rands)	940.26	889.07	Up
Passenger load factor	64%	61%	Up
Social Safety			
Fatalities	0	0	Constant
Number of incidents/accidents	8	11	Down
OHSAS 18001 Implementation	In progress	Planned	WIP
Health			
Employees medically surveyed	305	298	Up
Noise induced hearing loss	0	0	Constant
Employees			
Total Employees	1026	931	Up
Expenditure on employee training (Rands)	32,959,636	26,496,848	Up
% Black employees attending leadership development programme.	95%	36%	Up
% Female employees attending leadership development programme.	50%	21%	Up

Performance Dimension	Performance		Movement
	2010/11	2009/10	
Transformation and BBBEE			
BBBEE Rating	Being assessed	7	
% Black employees	57%	60%	Down
% Female employees	38%	40%	Down
% Black employees in Management	51%	60%	Down
% Female employees in management	36%	31%	Up
Community			
Corporate Social responsibility expenditure (Rands)	71,500	49,600	Up
Environmental			
Energy used (Litres Aviation Fuel)	81,579,015	74,782,700	Up
Carbon Footprint (Scope 1 and 2) Tons C02e	208,717.6	188,304	Up
ISO 14001 Implementation	In progress	Planned	WIP

Corporate Governance Report

INTRODUCTION

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

INTERACTION BETWEEN THE BOARD AND THE SHAREHOLDER

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

A summary of the performance indicators and a result of the performance against these indicators is included in the table below:

SAX KPI	Full Year		YTD	
KPI	Unit of measure	Compact	Actual	Progress tracker
Revenue, traffic and costs				√ - achieved X - not achieved
Average Passenger Fare (Rev passengers)	R	904	944	√
Financial value creation				
Total Turnover	Rbn	2.07	1.75	X
EBIT	Percentage	16.0%	3.6%	X
Net Profit After Tax	Rm	238	51.4	X
RASK (Total Income)	cents	118	94	X
RASK (Total Income) excluding fuel levy	cents	69	79	√
CASK (Total Operating expenses + Leases + Depreciation)	cents	99	68	√
CASK (Excluding Fuel Costs)	cents	74	49	√
Cargo as a % of Operating Income	Percentage	1.50%	0.78%	X
Return on Total Assets	Percentage	16.6%	3.3%	X
Operational efficiency				
Passenger Load Factor (Revpax)	Percentage	67%	64%	X
Total Staff per Aircraft	Ratio	41.38	37.77	√
Daily Block Hours per Aircraft	Hours	7	6.03	X
On-time Performance (within 15 minutes of scheduled departure)	Percentage	91%	85%	X
Human capital				
Turnover per employee	Rm	2	1.72	X
Training spend to Total Income	Percentage	1%	2%	√

THE BOARD OF DIRECTORS

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

COMPOSITION

The Board comprises a majority of Non-Executive Directors. Of the ten Directors, only one Executive is a Director, all of whom served throughout the year. The Chairperson of the Board is a Non-Executive Director. The role of the Chairperson is separate from that of the Chief Executive Officer. The Board believes that separation of powers and responsibilities ensures appropriate balance of authority between the Board and management. The current Directors of the company, as well as the resignations and retirements, are included in paragraph 8 of the Director's report to the annual financial statements.

ROLE AND FUNCTION OF THE BOARD

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

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

The Chief Executive Officer's day-to-day management of the business is based on clear and precise delegation of authority for the implementation of the Board strategy. The Directors are apprised of the operations of the business throughout the year via regular CEO's reports at Board sessions and regular electronic updates.

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

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

BOARD MEETINGS

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

BOARD MEETINGS (continued)

Management ensured that the Board is provided with all relevant information and facts to enable them to make appropriate and informed decisions.

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

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

Register of Meetings

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

INTERACTION BETWEEN THE BOARD AND MANAGEMENT

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

DISCLOSURE OF INTEREST

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

LEGAL AND REGULATORY COMPLIANCE UNIVERSE

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

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

The Public Finance Management Act, 1999

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

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

The Companies Act, 2008

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

The Aviation Act, 1962

Training of cabin, cockpit and technical maintenance crew, and processes relating to an airline's Technical Maintenance and Repair facilities operations are governed by the provisions of this Act.

The South African Civil Aviation Authority (SACAA) accredited Training facilities utilised by SA Express for training of its crew have been endorsed as being compliant with the relevant SACAA regulations. Although there were Technical Maintenance related incidents which occurred during the year under review, most of these were linked to SA Express' ageing fleet (currently under replacement) and thus SA Express' Airworthiness Maintenance Organisation License was never at threat since these incidents were all well managed under the supervision of the SACAA.

Domestic Air Services Act, 1993 & International Air Services Act, 1990

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

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

Domestic Air Services Act, 1993 & International Air Services Act, 1990 (continued)

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

Competition Act, 1999

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

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

Occupational Health and Safety Act, 1993 & National Environmental Management Act, 1998

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

Consumer Protection Act, 2008

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

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

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

BOARD COMMITTEES

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

Audit and Risk Committee	
Comprising:	Ms Matsotso Vuso (Chairperson)
	Mr Chris Christodoulou (Non-Executive)
	Mr Ndoda Madalane (Non-Executive) (Retired 16 August 2010)
	Mr Lesibana Ledwaba (Non-Executive) (Appointed August 2010 at AGM)
Human Resources and Remuneration Committee	
Comprising:	Mr Bonang Mohale (Chairperson)
	Ms Bridget Ssamula (Non-Executive)
	Mr Stavros Nicolaou (Non-Executive) (Retired August 2010)
	Mr Ezra Bunyenyezi (Non-Executive)
	Mr Vulindlela Cuba (Non Executive) (Appointed August 2010 at AGM)
Safety, Health and Environmental Committee	
Comprising:	Mr Chris Christodoulou (Chairperson)
	Mr Glenn van Heerden (Non-Executive)
	Ms Bridget Ssamula (Non-Executive)

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (the Committee) of SA Express Airways (Pty) Ltd (SAX) is pleased to present its report for the financial year ended 31 March 2011.

The Committee is independent and was appointed by the Board. The Committee discharges both its statutory and delegated responsibilities as outlined in the report below.

Terms of reference

The Committee endorsed a formal terms of reference which were subsequently approved by the Board. The Committee therefore carries out its mandate in compliance with the terms of reference, which is available on request.

Composition, meeting and assessment

The members of the Audit and Risk Committee initially comprised of three Non-Executive Directors, and one Executive Director, all of whom possess the necessary degree of financial knowledge, skill, insight and ability to undertake the requisite review of financial reports and statements. They have done so in compliance with the Companies Act, International Financial Reporting Standards, as well as other applicable legislative requirements and accounting standards. They have also assisted the Board with financial reporting, risk management and integrity of financial statements – including internal controls, accounting policies, financial performance and compliance with the Public Finance Management Act, International Financial Reporting Standards and all other applicable legislation, in respect of financial matters.

Composition, meeting and assessment (continued)

A Non-Executive Director resigned from the committee during the period under review. As such, representation has been made to the shareholder to approve the appointment of an additional committee member. The Chief Executive Officer, Chief Financial Officer and Chief Information Officer, as well as external and internal assurance providers, together with other representatives from within the Company, are invited to attend committee meetings. When required, closed sessions are held with relevant parties (or in-camera sessions with certain members only), in order to deliberate on issues that may require some initial confidential assessments.

The following meetings were held during the year under review:

Name of member	23 April 2010	14 Oct 2010	9 Nov 2010	10 Feb 2011
Matsotso Vuso CA (SA) (Chairperson)	Present	Present	Present	Present
Chris Christodoulou	Present	Present	Present	Present
Ndoda Madalane CA (SA)	Present	Retired	Retired	Retired
Lesibana Ledwaba CA (SA)	N/A	Present	Present	Resigned

Roles and responsibilities

The Committee has discharged its responsibilities in keeping with the requirements of the Companies Act, as well as is prescribed by the terms of reference. In execution of its duties, the committee has:

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

In the current year under review, the Chief Financial Officer resigned and some key positions within the Finance Department were vacant, resulting in the breakdown of some controls within the company.

Financial statements and accounting practices

The Committee has reviewed the accounting policies and the financial statement of the company for the year ended 31 March 2011, and is satisfied that they are appropriate and comply with the international financial reporting standards.

External auditor appointment and independence

The Committee has satisfied itself that the external auditor was independent of the company, which includes consideration of the nature and extent of other work undertaken by the auditor for the company – and compliance with criteria relating to independence or conflicts of interest, prescribed by the independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditors that internal governance processes within the audit firm support and demonstrate its claim to independence.

The external auditors had direct access to the Committee, through the Chairperson and regular 'in committee' meetings.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2011 financial year. There is a formal procedure that governs the process whereby the auditor is considered for non-audit services.

The Committee has nominated, for election at the Annual General Meeting, Nkonki Incorporated as the external audit firm for the 2012 financial year.

Governance of risk

The Committee is responsible for overseeing the governance of risk management function, which incorporates operational, financial, reporting, fraud, internal control, I.T governance and compliance risk, amongst others. The risk management process and the governance thereof, as well as the necessary disclosure with regard thereto, is therefore one of the key responsibilities assigned to the Committee by the Board.

Internal audit

The Committee is mandated to ensure that the internal audit function is independent, properly resourced and effective. The function was outsourced to KPMG, who operated within the scope of an internal audit charter adopted by the Committee.

The Committee also ensures that co-operation and synergies between the external and internal audit functions are achieved, without impacting negatively on the integrity of the process and information.

The internal audit charter and plan were approved, and the internal audit performance was measured by the Committee against the plan on an ongoing basis. The Chief Internal Audit Officer had direct access to the Committee through the Chairperson and regular 'in committee' meetings.

The role of the internal audit team fulfilled the critical function within the control environment to provide the Audit and Risk committee with the assurance that the company had adequate controls and that they are functioning in accordance to the set criteria.

Going concern

The Committee has reviewed a documented assessment, including key assumptions, prepared by management, of the going concern status of the company and is comfortable in its recommendation to the Board regarding the annual financial statements – and that the company will be a going concern for the next financial period, at which time a similar assessment will occur.

Following an audit of the Financial Statements for the year ended 31 March 2011, the Committee is pleased to report that the Annual Financial Statements comply in all material respects with the requirements of the Companies Act, 71 of 2008, the Public Financial Management Act, 1 of 1999 and the International Financial Reporting Standards.

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

HUMAN RESOURCES AND REMUNERATION COMMITTEE ATTENDANCE REGISTER

The Committee met four times during the year under review.

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

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

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

REMUNERATION OF EXECUTIVE DIRECTORS AND MANAGEMENT

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

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

Name	Salary	Post Retirement Benefit Funds Contributions	Other Contributions	Total 2011	
I Ntshanga - CEO	1 105 386.50	111 538.45	51 394.84	1 268 319.79	
I Ntshanga - GM	497 295.60	57 071.40	30 704.40	585 071.40	
DB Allanby	1 322 602.47	171 440.40	92 325.96	1 586 368.83	
A Malola-Phiri	1 341 496.83	102 990.96	109 672.56	1 554 160.35	
JL Green	1 322 496.63	64 174.80	32 558.52	1 419 229.95	
RL Vahed	1 214 226.45	124 460.16	69 783.48	1 408 470.09	
JG Simelane	1 272 674.22	62 277.84	67 455.48	1 402 407.54	
WP Hermanus	1 112 857.59	116 814.48	90 836.76	1 320 508.83	
SS Zulu*	1 039 102.70	111 287.84	62 883.54	1 213 274.08	Terminated 06/12/2010
J Jantjies	1 062 569.78	53 516.80	63 306.96	1 179 393.54	
PB Mashaba	903 669.39	69 529.60	49 286.56	1 022 485.55	

* Settlement of Legal Fees Not Included

Name	Short-Term Incentive	Long-Term Incentive	Total 2011	
SP Mzimela	1 886 266.85	0.00	1 886 266.85	Terminated 31/03/2010
SS Zulu	871 237.09	786 504.00	1 657 741.09	Terminated 06/12/2010
A Malola-Phiri	584 686.32	547 858.08	1 132 544.40	
I Ntshanga	511 008.25	500 029.20	1 011 037.45	
JL Green	575 418.50	398 227.16	973 645.66	
DB Allanby	599 403.40	351 338.62	950 742.02	
RL Vahed	580 898.68	363 258.02	944 156.70	
JG Simelane	399 860.82	347 322.29	747 183.11	
WP Hermanus	456 764.86	238 078.67	694 843.53	
J Jantjies	340 030.38	255 988.25	596 018.63	
PB Mashaba	330 768.13	154 836.00	485 604.13	

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

Name	Jul-10	Oct-10	Dec-10	Mar-11	Total
Bonang Mohale	53,980.49	53,980.49	53,980.49	53,980.49	215,921.96
Bridget Ssamula	47,649.12	59,543.86	59,543.86	59,543.86	226,280.07
Chris Christodoulou	70,871.29	70,871.29	70,871.29	70,871.29	283,485.16
Ezra Bunyenyezi	47,649.12	47,649.12	47,649.12	47,649.12	190,596.36
Glenn van Heerden	47,649.12	47,649.12	47,649.12	47,649.12	190,596.48
Lesibana Ledwaba	Not yet appointed	52,686.03	52,686.03	52,686.03	158,058.09
Lilian Boyle	167,360.11	167,360.11	167,360.11	167,360.11	669,440.44
Matsotso Vuso	62,455.29	62,455.29	62,455.29	62,455.29	249,821.16
Ndoda Madalane	52,665.74	Resigned	Resigned	Resigned	52,665.74
Stavros Nicolaou	47,649.12	Resigned	Resigned	Resigned	47,649.12
Vuli Cuba	Not yet appointed	47,649.12	47,649.12	47,649.12	142,947.36

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

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

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

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

The overall key responsibilities of the Committee are to:

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

ATTENDANCE

The Committee met four times during the year under review.

Names	05 May 10	10 Sept 10	05 Nov 10	16 Feb 2011
Chris Christodoulou (Chairperson)	Present	Present	Present	Present
Glenn van Heerden	Present	Present	Present	Present
Bridget Ssamula	Not yet appointed	Present	Present	Present

South African Express Airways (Pty) Ltd

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2011

Statement from Company Secretary

The Company Secretary resigned during the year under review and as such the Board states that: We hereby confirm that in terms of section 268G (d) of the Companies Act, 61 of 1973, to the best of our knowledge and belief, SA Express has lodged with the Registrar of Companies all such returns for the year ended 31 March 2011.

L.G Boyle
Chairperson on behalf of the Board of Directors
Johannesburg

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06 FINANCIAL STATEMENTS

FOR YEAR ENDED 31 MARCH 2011

A CLOUD OF ANOTHER COLOUR

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

06

REPORT ON THE FINANCIAL STATEMENTS

Independent auditor's report to shareholder on SA Express Airways (proprietary) limited

INTRODUCTION

We have audited the accompanying financial statements of the SA Express Airways (Proprietary) Limited, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting authority's report, as set out on pages 57 to 83.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and Companies Act of South Africa, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

We have been unable to obtain sufficient and appropriate audit evidence as to the valuation of the company's share of unrecognised losses in its associate as stated in Note 6 to the annual financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects described in the Basis for Qualified Opinion paragraph above; the financial statements present fairly, in all material respects, the financial position of the SA Express Airways (Proprietary) Limited as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and Companies Act of South Africa.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, we include below our findings:

PREDETERMINED OBJECTIVES

There are no material findings on the annual performance report.

COMPLIANCE WITH LAWS AND REGULATIONS

As per section 54 of the PFMA, approval to implement Congo Express Sprl was obtained from the Minister of Department of Enterprise in July 2009 and subsequent to that SA Express submitted a letter to notify the Minister of National Treasury of the Investment in Congo Express Sprl. The Board of Directors passed a resolution in November 2010 to dispose the company's share holding in Congo Express Sprl, An application was lodged with the Minister of Public Enterprise for an approval to sell the shareholding and notification to the National Treasury was submitted in line with section 54 of PFMA.

In-principle approval for the sale of the shares was received from the Minister during May 2011;

SA Express is still awaiting final approval for disposal of the shares.

INTERNAL CONTROL

In terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, we considered internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

LEADERSHIP

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities.

FINANCIAL AND PERFORMANCE MANAGEMENT

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Implement controls over daily and monthly processing and reconciling of transactions.

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Review and monitor compliance with applicable laws and regulations.

Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

OTHER REPORTS

Agreed-upon procedures engagements:

As requested by the SA Express (Proprietary) Limited, an engagement was conducted during the year under review on the certificate of transfer of a house awarded to an employee during the Star Struck Awards in 2009. The report covered the period March 2009 to February 2010 and was issued on 31 May 2010.

As requested by the SA Express (Proprietary) Limited, an engagement was conducted during the year under review on the calculation of the long-term incentive bonuses for employees for the 2010/2011 financial year. The report was issued on 25 March 2011.

Nkonki Inc.

Registered auditor

28 July 2011
Nkonki Inc.
P.O.Box 1503
Saxonwold 2132

Directors' Responsibilities and Approval

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

The Annual Financial Statements are prepared in accordance with the Companies Act, Public Finance Management Act, International Financial Reporting Standards (IFRS) and other mandated legislation or guidelines for state owned entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of fraud and error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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 external auditors are responsible for independently reviewing and reporting on the company's Annual Financial Statements. The Annual Financial Statements have been examined by the company's external auditors and their report is presented on pages 55 to 56.

The Annual Financial Statements set out on pages 58 to 83, which have been prepared on the going concern basis, were approved by the Board on July 27, 2011 and were signed on its behalf by:

L.G Boyle

I. Ntshanga

DIRECTORS' REPORT

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

1. REVIEW OF ACTIVITIES

Main business and operations

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

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

2. GOING CONCERN

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

3. EVENTS AFTER THE REPORTING PERIOD

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

4. DIRECTORS' INTEREST IN CONTRACTS

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

5. NON-CURRENT ASSETS HELD FOR SALE

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

6. BORROWING LIMITATIONS

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

7. DIVIDENDS

No dividends were paid or proposed.

8. DIRECTORS

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

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

9. COMPANY SECRETARY

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

10. 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.

11. DISCONTINUED INTEREST IN ASSOCIATE COMPANY

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

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

12. DEBT IMPAIRED

Congo Express Sprl has been incurring losses since inception and experiencing cash flow challenges. As a result Congo Express Sprl has been unable to pay its debts as and when they became due. The cash shortages were funded by SA Express which resulted in a material amount being owed to SA Express. At March 31, 2011 Congo Express Sprl were unable to repay the amount owing to SA Express and the Board of Directors felt it was prudent to impair the entire amount of loan and trade debtor owed by Congo Express Sprl. The amount impaired was R35 million. The Board reserves its right to pursue any legal proceedings to recover the debt.

13. AUDITORS

Nkonki Incorporated were the auditors for the year under review. It is the intention of the Directors to recommend Nkonki as auditors at the next Annual General Meeting.

14. PUBLIC FINANCE MANAGEMENT ACT (PFMA) APPLICATIONS

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

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

Refer to note 31 of the annual financial statements for more details relating to the above applications.

Statement of Financial Position

Figures in rand	Note(s)	2011	2010	2009
ASSETS				
Non-Current Assets				
Property, plant and equipment	4	20,275,450	1,045,107,454	829,224,417
Intangible assets	5	9,601,466	9,233,396	3,196,616
Investment in Congo Express Sprl	7		3,659,491	
Other financial assets	8	64,642,240	60,069,770	55,000,000
		94,519,156	1,118,070,111	887,421,033
Current Assets				
Inventories	10	86,153,505	60,850,071	77,882,304
Other financial assets	8			9,981,469
Current tax receivable		60,353,527		
Trade and other receivables	11	500,403,157	392,911,830	362,982,760
Cash and cash equivalents	12	88,352,564	74,318,801	80,646,821
		735,262,753	528,080,702	531,493,354
Non-current assets held for sale	31	1,108,637,819		
Total Assets		1,938,419,728	1,646,150,813	1,418,914,387
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13	501,837,518	501,837,518	56,837,518
Other components of equity	14	356,954,972	356,954,972	801,954,972
Retained earnings		343,334,190	291,980,019	41,220,547
		1,202,126,680	1,150,772,509	900,013,037
LIABILITIES				
Non-Current Liabilities				
Long-term borrowings	15	200,000,000		28,675,563
Deferred tax	9	169,727,913	138,787,199	104,960,201
Neutrality advance	16	154,436,669	150,096,418	67,782,492
		524,164,582	288,883,617	201,418,256
Current liabilities				
Current portion of the long-term borrowing	15		27,679,089	39,323,923
Current tax payable			7,357,578	
Trade and other payables	17	200,554,382	164,464,180	277,156,381
Provisions		3,275,146	1,457,366	1,002,790
Bank overdraft	12	8,298,938	5,536,474	
		212,128,466	206,494,687	317,483,094
Total liabilities		736,293,048	495,378,304	518,901,350
Total Equity and Liabilities		1,938,419,728	1,646,150,813	1,418,914,387

Statement of Comprehensive Income

Figures in rand	Note(s)	2011	2010
CONTINUING OPERATIONS			
Revenue	18	1,646,154,387	1,612,530,534
Other income		101,356,314	54,810,197
Operating expenses		(1,696,083,416)	(1,492,834,929)
Operating profit	19	51,427,285	174,505,802
Investment income	20	12,593,293	16,280,034
Reclassification adjustment			163,977,950
Fair value adjustments		(1,928,769)	
Finance costs		(11,596,469)	(6,231,190)
Profit before taxation		50,495,340	348,532,596
Taxation	21	876,951	(97,773,124)
Profit from continuing operations		51,372,291	250,759,472
DISCONTINUED OPERATIONS			
Loss from discontinued operation		(18,120)	
Total comprehensive income		51,354,171	250,759,472
NET PROFIT ATTRIBUTABLE TO SHAREHOLDER			
Profit for the year from continuing operations		51,372,291	250,759,472
Loss for the year from discontinuing operation		(18,120)	
Profit for the year attributable to shareholder		51,354,171	250,759,472

Statement of Changes in Equity

Figures in rand	Share capital	Share premium	Total share capital	Other components of equity	Retained earnings	Total equity
Balance at April 01, 2009	102	56,837,416	56,837,518	801,954,972	84,597,771	943,390,261
Adjustments						
Prior period error					(43,377,224)	(43,377,224)
Balance at April 01, 2009 as restated	102	56,837,416	56,837,518	801,954,972	41,220,547	900,013,037
Changes in equity for the year						
Total comprehensive income for the year					250,759,4 72	250,759,472
Convertible bond - equity component	350	444,999,650	445,000,000	(445,000,000)		
Total changes	350	444,999,650	445,000,000	(445,000,000)	250,759,472	250,759,472
Balance at April 01, 2010	452	501,837,066	501,837,518	356,954,972	291,980,019	1,150,772,509
Changes in equity for the year						
Total comprehensive income for the year					51,354,171	51,354,171
Total changes					51,354,171	51,354,171
Balance at March 31, 2011	452	501,837,066	501,837,518	356,954,972	343,334,190	1,202,126,680
Note(s)	13	13	13	14		

Statement of Cash Flows

Figures in rand	Note(s)	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,753,645,719	1,642,459,604
Cash paid to suppliers and employees		(1,726,073,201)	(1,460,879,088)
Cash generated from operations	24	27,572,518	181,580,516
Interest income		12,593,293	16,280,034
Finance costs		(11,596,469)	(6,231,190)
Tax paid	25	(35,893,440)	(56,588,546)
Net cash from operating activities		(7,324,098)	135,040,814
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(154,685,948)	(184,622,845)
Sale of property, plant and equipment	4		106,431
Purchase of other intangible assets	5	(538,070)	(6,036,780)
Loans advanced to group companies		3,659,491	(3,659,491)
Movement in financial assets		(6,501,239)	5,313,848
Net cash from investing activities		(158,065,766)	(188,898,837)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		172,320,912	
Repayment of long-term borrowings			(40,320,397)
Movement in neutrality advance		4,340,251	82,313,926
Net cash from financing activities		176,661,163	41,993,529
Total cash movement for the year		11,271,299	(11,864,494)
Cash and cash equivalents at the beginning of the period		68,782,327	80,646,821
Cash and cash equivalents at the end of the period	12	80,053,626	68,782,327

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

These accounting policies are consistent with the previous period.

In terms of Treasury Regulation 28.1.6, the company is required to present its annual financial statements in terms of Generally Accepted Accounting Practice (SA GAAP), however the Accountant General has issued an approval for public entities listed in Scehedule 2 of Public Finance Management Act in line with section 79 of PFMA to present the annual financial statements using IFRS.

1.1 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Major spare parts and standby equipment, which are expected to be used for more than one period, are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Property, plant and equipment 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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Any increase in an asset's carrying amount, as a result of a revaluation, is credited to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

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

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

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

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. 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 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.
- the expenditure attributable to the asset during its development can be measured reliably.

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

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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

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

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

Asset class	Useful life
Trademarks - Design Cost	5 years
Computer software, internally generated	5 - 10 years

1.3 INVESTMENTS IN ASSOCIATES

An investment in an associate is carried at cost and adjusted with post acquisition profits or loses.

1.4 FINANCIAL INSTRUMENTS

Loans to Associates

These include loans to associates and are recognised initially at fair value plus direct transaction costs.

Loans to associates companies are classified as non-current assets.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss - held for trading.

1.5 TAX

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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 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.

1.6 LEASES

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The liability is not discounted.

1.7 INVENTORIES

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

1.8 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets will be classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets classified as such are measured using the applicable IFRS immediately before classification. Once reclassified, the asset (or disposal group) is recognised at lower of carrying amount and the 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 while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Impairment losses on initial classification as held for sale assets are included in the profit and loss, even for assets measured as fair value. Gains and losses on subsequent measurement are included in the profit or loss for the period.

1.9 IMPAIRMENT OF ASSETS

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

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

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset 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.

1.10 SHARE CAPITAL AND RESERVES

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

1.11 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the company has a present 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 expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.12 REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue consists of passenger airline revenue, cargo, third party maintenance from technical services, and release of unutilised air tickets.

Air tickets that remained unutilised after a 6-month 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.

1.13 BORROWING COSTS

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 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.

Notes to the Annual Financial Statements

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

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

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and Interpretations early adopted

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

!AS 24 Related Party Disclosures (Revised)

The revisions to IAS 24 include a clarification of the definition of a related party, as well as providing a partial exemption for related party disclosures between government-related entities.

In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences, the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- The name of the government and nature of the relationship
- Information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

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

2010 Annual Improvements Project:

Amendments to IFRS 1 First-time Adoption of International Financial reporting Standards.

The amendment provides that if an entity changes its accounting policy or its use of IFRS 1 exemptions in the first IFRS annual financial statements, it shall explain the changes between its first IFRS interim financial report and its first IFRS annual financial statements and shall update the reconciliations accordingly. Such explanations are also required in each interim report where changes are made.

Additional exemptions are provided for first time adopters who have established a deemed cost under previous GAAP for assets and liabilities by measuring them at fair value at a particular date because of an event such as a privatisation. If such measurement date is in the first reporting period covered by the first IFRS annual financial statements, then the event driven fair value measurements may be applied. The adjustment shall be recognised directly in retained earnings.

Entities who hold assets in operations subject to rate regulation may apply the previous GAAP carrying amount for such items on first time adoption of IFRS. However, the entity shall test for impairment when the exemption is applied.

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

The company expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosures

Additional clarification is provided on the requirements for risk disclosures. The effective date of the amendment is for years beginning on or after January 01, 2011. The company expects to adopt the amendment for the first time in the 2012 annual financial statements. It is unlikely that the amendment will have a material impact on the company's annual financial statements.

2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements

The amendment now requires that an entity must present, either in the statement of changes in equity or in the notes, an analysis of by item. The effective date of the amendment is for years beginning on or after January 01, 2011. The company expects to adopt the amendment for the first time in the 2012 annual financial statements. It is unlikely that the amendment will have a material impact on the company's annual financial statements.

3.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after April 01, 2011 or later periods, but are not relevant to its operations:

2010 Annual Improvements Project: Amendments to IAS 28 Investments in Associates

The amendment provides transitional provisions as a result of changes to AS 27 (AC 132) Consolidated and Separate Financial Statements.

The effective date of the amendment is for years beginning on or after July 01, 2010.

The company expects to adopt the amendment for the first time in the 2012 annual financial statements. It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Amendment to IFRS 1 (AC138) Limited Exemption from Comparative IFRS 7 Disclosuresfor First-Time Adopters

The amendment allows first time adopters to apply the transitional provisions of IFRS 7 (AC144). The exemption is only allowed;

For annual financial statements where the earliest comparative is before years ending on December 31, 2009.

The effective date of the amendment is for years beginning on or after July 01, 2010.

The company expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plant and machinery	25,908,372	(20,938,177)	4,970,195	25,417,238	(18,586,956)	6,830,282
Motor vehicles	3,932,881	(2,985,609)	947,272	3,303,402	(2,813,896)	489,506
Rotables				283,959,099	(5,012,857)	278,946,242
Leasehold improvements	1,083,286	(411,752)	671,534	1,083,286	(374,220)	709,066
Aircraft				1,324,517,295	(589,687,920)	734,829,375
Containers	5,650	(5,113)	537	5,650	(5,022)	628
Capital Work in Progress	13,685,912		13,685,912	23,302,355		23,302,355
Total	44,616,101	(24,340,651)	20,275,450	1,661,588,325	(616,480,871)	1,045,107,454

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Classified as held for sale	Transfers	Other changes, movements	Depreciation	Total
Plant and machinery	6,830,282	491,134				(2,351,221)	4,970,195
Motor vehicles	489,506	629,479				(171,713)	947,272
Rotables	278,946,242	101,722,177	(386,657,272)		5,988,853		
Leasehold improvements	709,066					(37,532)	671,534
Aircraft	734,829,375	32,816,026	(721,980,547)	28,643,575		(74,308,429)	
Containers	628					(91)	537
Capital Work in Progress	23,302,355	19,027,132		(28,643,575)			13,685,912
	1,045,107,454	154,685,948	(1,108,637,819)		5,988,853	(76,868,986)	20,275,450

5. INTANGIBLE ASSETS

	2011			2010		
	Cost / Valuation	Accumulated amortization	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Intangible assets under development	9,006,466		9,006,466	8,468,396		8,468,396
Uniform design	850,000	(255,000)	595,000	850,000	(85,000)	765,000
Total	9,856,466	(255,000)	9,601,466	9,318,396	(85,000)	9,233,396

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Intangible assets under development	8,468,396	538,070		9,006,466
Uniform Design	765,000		(170,000)	595,000
	9,233,396	538,070	(170,000)	9,601,466

6. INVESTMENTS IN ASSOCIATES

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

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

Summary of groups interest in associate

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

Associates with different reporting dates

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

Unrecognised share of losses in associate

The company's cost of investment in Congo Express Sprl amounts to R1B 120 and the company has no obligation for any losses of the associate. SA Express share of unrecognised losses since the inception of Congo Express Sprl amount to R19, 091, 307.

7. LOANS TO ASSOCIATE

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

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

8. OTHER FINANCIAL ASSETS

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

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

9. DEFERRED TAX

	2011	2010
Reconciliation of deferred tax (liability)/asset		
At the beginning of the year	138,787,199)	121,829,120)
Temporary differences	(30,940,714)	(16,958,079)
Balance at the end of the year	(169,727,913)	(138,787,199)

10. INVENTORIES

	2011	2010
Consumables	86,153,505	60,850,071

11. TRADE AND OTHER RECEIVABLES

	2011	2010	2009
Employee costs in advance	13,599,795	9,280,717	9,288,172
Deposits	23,050,824	24,010,722	27,124,018
Prepayments	57,263,024	35,530,597	13,120,905
Trade receivables	342,346,860	263,920,815	258,653,747
Value Added Tax	64,142,654	60,168,979	54,795,918
	500,403,157	392,911,830	362,982,760

Trade and other receivables past due but not impaired

The receivables disclosed above include amounts that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts, 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:

	2011	2010
1 month past due	2,745,307	15,797,106
3 months past due	21,442,451	2,249,208

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2011	2010
Cash on hand	71,638	70,638
Short-term deposits	88,280,926	74,248,163
Bank overdraft	(8,298,938)	(5,536,474)
	80,053,626	68,782,327
Current assets	88,352,564	74,318,801
Current liabilities	(8,298,938)	(5,536,474)
	80,053,626	68,782,327

13. SHARE CAPITAL

	2011	2010
Authorised.		
1000 Ordinary shares of Rl each	1,000	1,000
Reconciliation of the number of shares issued:		
Reported at the beginning of the financial year	452	102
Subscription of shares – ordinary shares		350
	452	452
Issued		
452 Ordinary Shares of R1 each	452	452
Share premium	501,837,066	501,837,066
	501,837,518	501,837,518

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.

14. CONVERTIBLE INSTRUMENTS RESERVE

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

	2011	2010
Shareholder's loan	356,954,972	356,954,972

15. LONG-TERM BORROWINGS

	2011	2010
Held at amortised cost		
NedbankLtd	-	27,679,088
This loan represents a conditional sale agreement repayable in quarterly instalments at an average of R14m and bearing interest at an average rate of 13.55 per annum.		
Nedbank Ltd	200,000,000	-
This loan represents a revolving credit facility repayable in 5 years time at a rate of 8.65. The interest on loan is payable quarterly.		
	200,000,000	27,679,089
Non-current liabilities		
At amortised cost	200,000,000	27,679,089
Current liabilities		
At amortised cost	200,000,000	27,679,089

16. NEUTRALITY ADVANCE/ATL

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

	2011	2010
Description	150,096,418	150,096,418
Opening Balance	4,340,251	
Movement	154,436,669	150,096,418

17. TRADE AND OTHER PAYABLES

	2011	2010	2009
Accrued interest	1,394,130	233,162	3,731,914
Accrued disbursements	31,412,451.	39,156,277.	91,819,805
Accrued leave pay	5,307,903	6,001,979	9,416,227
Accrued long-term incentives	8,467,948	8,989,449	13,828,000
Accrued salaries and wages	7,898,714 .	55,635,596	32,272,813
Passenger service charge	22,836,906	5,499,200	14,885,162
Trade payables	123,236,330	48,948,517	111,202,458
	200,554,382	164,464,180	277,156,379

18. REVENUE

	2011	2010
Passenger	1,559,043,729	1,498,284,236
Cargo	12,792,417	13,004,507
Release of unutilised air traffic liability to revenue	74,318,241	101,241,791
	1,646,154,387	1,612,530,534

19. OPERATING PROFIT

	2011	2010
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
• Premises	10,914,001	7,437,195
• Motor vehicles	680,094	318,691
• Equipment	5,886,934	5,436,325
• Aircraft	134,803,307	129,087,184
	152,284,336	142,279,395
Amortisation on intangible assets	170,000	85,000
Depreciation on property, plant and equipment	76,698,985	134,429,124
Employee costs	383,315,933	359,324,773
Impairment of shareholder's loan in COX	3,659,491	
Impairment of COX trade receivables	31,617,993	
Profit on sale of assets		113,697

20. INVESTMENT INCOME

	2011	2010
Interest revenue		
Bank	12,593,293	16,280,034

21. TAXATION

	2011	2010
Major components of the tax income		
Current		
Local income tax – Current period	-	80,815,045
Normal tax – Prior year over provision	(31,817,665)	-
Deferred		
Deferred tax – Current year	(31,817,665)	80,815,045
Deferred tax – Prior year under provision	15,586,334	16,958,079
Reconciliation of the tax expense	15,354,380	-
	30,940,714	16,958,079
	(876,951)	97,773,124
Reconciliation between applicable tax rate and effective tax rate		
Applicable tax rate	28.00 %	28.00 %
Prior year error	(33.00) %	-
Non-deductible expenses	3.00 %	0.20 %
	(2.00) %	28.20 %

22. AUDITORS' REMUNERATION

	2011	2010
External auditors	1,933,494	2,227,851
Internal auditors	706,320	744,959
	2,639,814	2,972,810

23. OPERATING LEASE

Operating lease requirements for the business relates to the leases from aircraft lessors. These leases are dollar denominated and were converted using a year end rate of R 7.31:1 USD,

	2011	2010
Details of commitments		
Payable within 1 year	94,983,012	153,829,467
Payable within 2-5 years	100,318,701	367,008,760
Over 5 years	440,804,822	
	636,106,535	520,838,227

24. CASH GENERATED FROM OPERATIONS

	2011	2010
Profit before taxation	50,495,340	348,532,596
Adjustments for:		
Depreciation and amortisation	76,868,985	134,514,124
Interest received	(12,593,293)	(16,280,034)
Finance costs	11,596,469	6,231,190
Fair value adjustments	1,928,769	(288,452)
Movements in provisions	1,817,780	454,576
Other non-cash items	(5,836,968)	(2,191,250)
Reclassification adjustment		(163,803,195)
Changes in working capital:		
Inventories	(25,303,434)	17,032,233
Trade and other receivables	(107,491,332)	(29,929,070)
Trade and other payables	36,090,202	(112,692,202)
	27,572,518	181,580,516

25. TAX PAID

	2011	2010
Balance at the beginning of the year	(7,357,578)	
Current tax for the year recognised in profit or loss	31,817,665	(80,815,045)
Adjustment for non-cash items – deferred tax		16,868,921
Balance at the end of the year	(60,353,527)	7,357,578
	(35,893,440)	(56,588,546)

26. RELATED PARTIES

			2011	2010
Related party transactions				
Purchases from related parties				
State Controlled Entities			509,118,964	579,971,468
Sales to related parties				
State Controlled Entities			34,872,561	20,460,260
Departments of Government			40,800,945	26,453,485
Shareholder				36,240

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

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

27. EXECUTIVE DIRECTORS' EMOLUMENTS

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

Non-executive		
2011	Emoluments	Total
For services as directors	2,361,472	2,361,472
2010	Emoluments	Total
For services as directors	2,348,861	2,348,861

28. RISK MANAGEMENT

Capital risk management

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

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

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

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

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

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

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

Financial risk management

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

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

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

Liquidity risk

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

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

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

At March 31, 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	-	200,000,000	-
Trade and other payables	172,861,360	-	-	-

At March 31, 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	27,679,088	-	-	-
Trade and other payables	138,860,629	-	-	-

Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

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

Foreign exchange risk

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

29. GOING CONCERN

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

30. EVENTS AFTER THE REPORTING DATE

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

31. NON-CURRENT ASSETS HELD FOR SALE

Description	2011	2010
Aircraft	721,980,547	-
Rotables	386,657,272	-
	1,108,637,819	

On November 11, 2010, the Board of Directors announced a plan to dispose of the fleet and subsequent PFMA approvals were obtained. The disposal is consistent with the company's long-term policy to replace its aviation fleet with more technically advanced and updated aircraft. The company is actively seeking a buyer for its fleet and expects to complete the sale as planned. The company has not recognised any impairment losses in respect of the fleet, neither when the fleet was reclassified as held for sale or at the end of the reporting period. The assets held for sale (Aircrafts and Rotables) ceased depreciating immediately after the Board's resolution.

32. PRIOR PERIOD ERRORS

	2011	2010	2009
Description			
Non-reversal of provision for dispute settlement	-	-	12,500,000
Tax effect on provision for dispute settlement	-	-	(3,500,000)
SAP system error	-	-	25,603,552
Tax effect on SAP system error	-	-	(7,168,995)
Interest incorrectly reversed	-	-	22,142,593
Tax effect on interest incorrectly reversed	-	-	(6,199,926)
	-	-	43,377,224

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

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

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

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

The overall impact of the above errors in the 2009 financial statements was R43,377,224 reduction to the retained earnings as opposed to the previously reported balance of R84,597,771 as previously reported taking it to an amount of R41,220,547.

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Aviation
Directors	LG Boyle, I Ntshanga, E Bunyenyezi, C Christodoulou, BF Mohale, B Ssamula, G van Heerden, MJ Vuso, L Ledwaba, V Cuba
Registered office	4th Floor offices, West Wing, Pier Development, O.R Tambo International Airport 1627
Business address	4th Floor offices, West Wing, Pier Development, O.R Tambo International Airport 1627
Postal address	P.O. Box 101 O.R Tambo International Airport 1627
Shareholder	The Government of the Republic of South Africa, represented by the Department of Public Enterprises
Auditors	Nkonki Inc. Chartered Accountants (SA) Registered Auditors
Company secretary	E Isenschmid
Company registration number	1990/007412/7

GRI Application Level B

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