



SOUTH AFRICAN EXPRESS ANNUAL REPORT  
2008/09

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## 15 YEARS OF SERVICE EXCELLENCE



In April 2009, South African Express celebrated 15 years of providing service excellence to its valued customers. Our airline is quickly realising its goal of becoming one of Africa's fastest growing domestic and regional airlines, and the carrier of choice on the African continent.

South African Express began operating the Johannesburg – Kimberley route 15 years ago, which has since grown to become one of the airline's strongest routes. South African Express took off with a modest six aircraft, which 15 years later, has grown to a superior fleet consisting of 23 modern aircraft.

The airline is also proud to have a series of 'firsts' within its 15 years of operation, including:

- First all-female and flight deck cabin crew in 1995
- First black male captain joins South African Express in 1997
- First female Chief Executive Officer appointed in 2003
- First airline in Africa to operate the quietest turboprop (Q400) in 2006

Since first taking to the skies on 24 April 1994, South African Express continues to remain focused on its core business. Catering for both business and leisure travellers, as well as offering customers a cargo service, South African Express provides frequent flights to most destinations within South Africa and regional services to Botswana, Democratic Republic of Congo, Mozambique and Namibia.

Presenting our passengers with access to thriving business hubs within the continent and connecting some of the best tourism destinations in South Africa is only part of South African Express' unique product offering. In addition, the airline's leisure product offers convenient fly-in, accommodation packages and a myriad of leisure activities to the main tourist attractions in Southern Africa.

South African Express understands that its employees are its most important asset. To this effect, the airline celebrates top performers and encourages interaction and sharing of Company information as well as its vision and goals at all levels. The airline also prides itself in its commitment to the creation of a culture of transparency, integrity and teamwork that celebrates the contribution of its diverse workforce.

## Section 1. ABOUT SOUTH AFRICAN EXPRESS

### Our route network

South African Express' flights are coordinated to offer passengers the best possible connections to key local, regional and international destinations. Our extensive feeder network is comparable to some of the most advanced systems in the world and is based on the FAT principle of frequency of service, availability of seats and timing of flights.

The airline's schedule reflects our belief in the provision of seamless service to all our customers.

South African Express' domestic route network includes:

Johannesburg – Bloemfontein	Johannesburg – East London
Johannesburg – George	Johannesburg – Hoedspruit (Eastgate Airport)
Johannesburg – Kimberley	Johannesburg – Kruger Mpumalanga (Nelspruit)
Johannesburg – Richards Bay	Cape Town – Bloemfontein
Cape Town – East London	Cape Town – Port Elizabeth
Durban – East London	Durban – Port Elizabeth
Johannesburg – Port Elizabeth	

Regionally, South African Express operates between:

Johannesburg – Gaborone	Johannesburg – Windhoek
Johannesburg – Walvis Bay	Johannesburg – Lubumbashi
Cape Town – Windhoek	Cape Town – Walvis Bay
Cape Town – Maputo	

### Our aircraft

To ensure maximum passenger comfort, South African Express operates some of the world's most modern and sophisticated aircraft. All South African Express' aircraft perform outstandingly and proudly comply with European noise and emission control standards.

#### CRJ 700

The airline acquired two 70-seater CRJ 700 aircraft in 2008. These superior aircraft boast sophisticated fuel saving technology, which is an added benefit for a regional airline such as South African Express.

#### Q400

The 74-seater Q400s also form part South African Express' elite fleet. These advanced turboprop aircraft are known to have the most quiet turboprop cabins in the sky.

#### CRJ 200

South African Express also operates the Canadair Regional Jet Series 200 BER. Locally, this 50-seater aircraft is also known as the Express Jet.

#### Dash 8 300

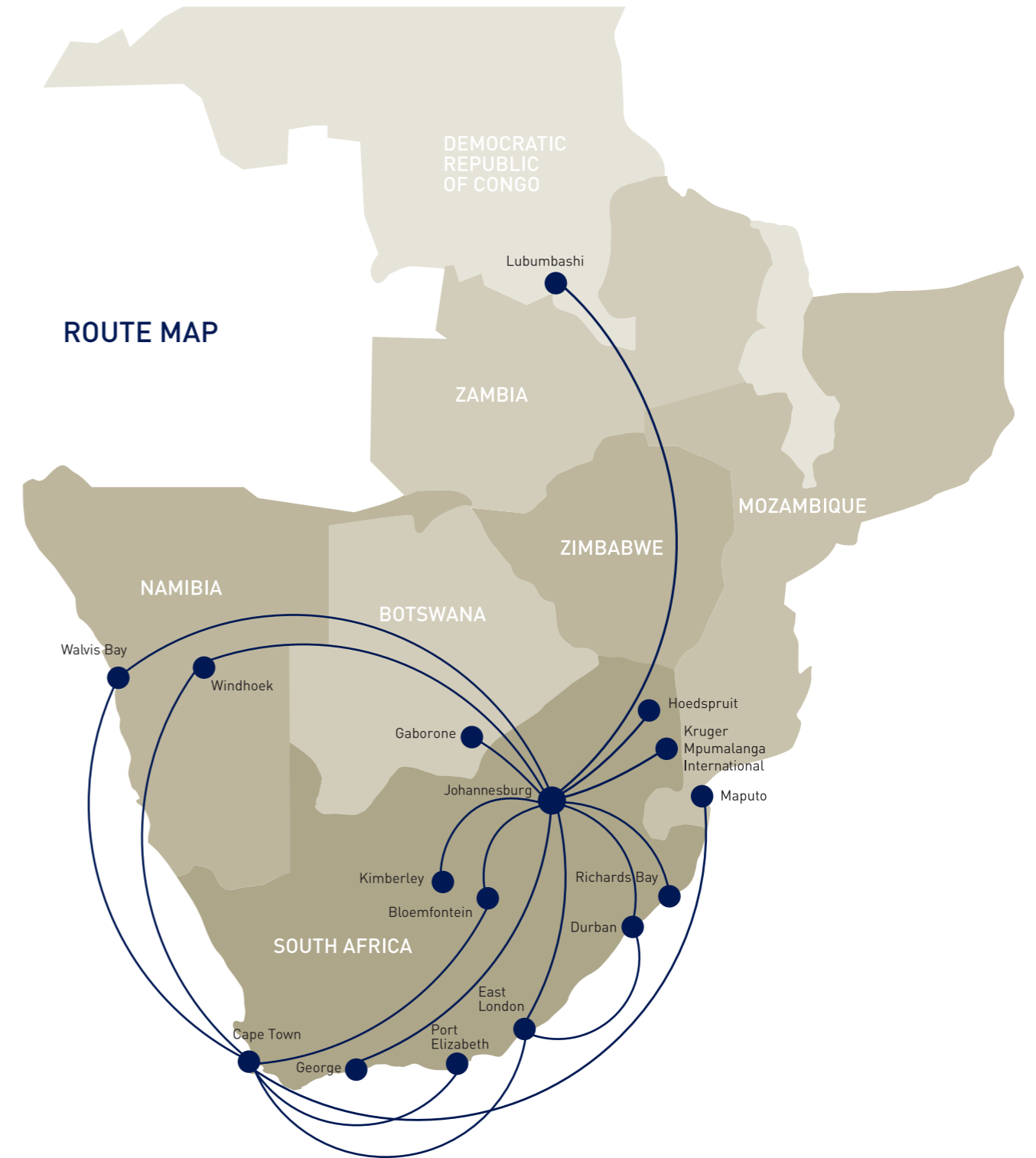
Manufactured in Canada, these 50-seater aircraft offer our passengers comfort, thanks to their advanced design features.

### Expressing Excellence

South African Express prides itself in offering incomparable service standards. With highly trained cabin crew and friendly frontline staff, the airline subscribes to service excellence, hence its payoff line "Expressing Excellence".

The airline's onboard service is unique and offers passengers a variety of free meals or snacks on all flights. The airline pioneered its unique meal box concept with meal choices frequently updated and designed using balanced food criteria – appearance, taste and nutritional value. Passengers can also enjoy a wine and malt service on specified flights, as well as refreshments on all flights.

Our customers can expect a comfortable, quality air travel experience, with the added benefits of frequency, reliability and unmatched value for money.



### Our strategic imperatives

Maintaining South African Express' success over the years can be attributed to rigorous adherence to its core strategic imperatives. As a result, the airline is pleased to have achieved profitability for the financial year ending 31 March 2009.

Although the 2008/09 year was profitable, this does not mean that South African Express was not affected by the challenges attributed to difficult economic and market conditions, volatile fuel prices and not pressured by other escalating operational costs.

The airline implemented an internal drive to ensure that all costs are contained and that efficiencies in the business are maintained. The strategy to reduce costs by adherence to good corporate governance and more efficient systems and processes is currently in its fourth year of implementation.

In addition, our airline boasts business standards that are practised internationally, and are based on ethical, professional, service-oriented, performance and profit driven principles. South African Express continues to subscribe to the triple bottom-line principle, which is hinged on achieving social, economic and environmental goals.

South African Express' key strategic imperative is to utilise its unique product offering of frequency to stimulate and grow new markets, providing an extensive feeder network for international airlines, as well as building secondary hubs and entry points within Africa.

In the 2008/09 financial year, the airline continued to further build on its successful long-term strategy to:

- Strengthen the balance sheet
- Increase revenue sales
- Provide innovation in product, service and reliability

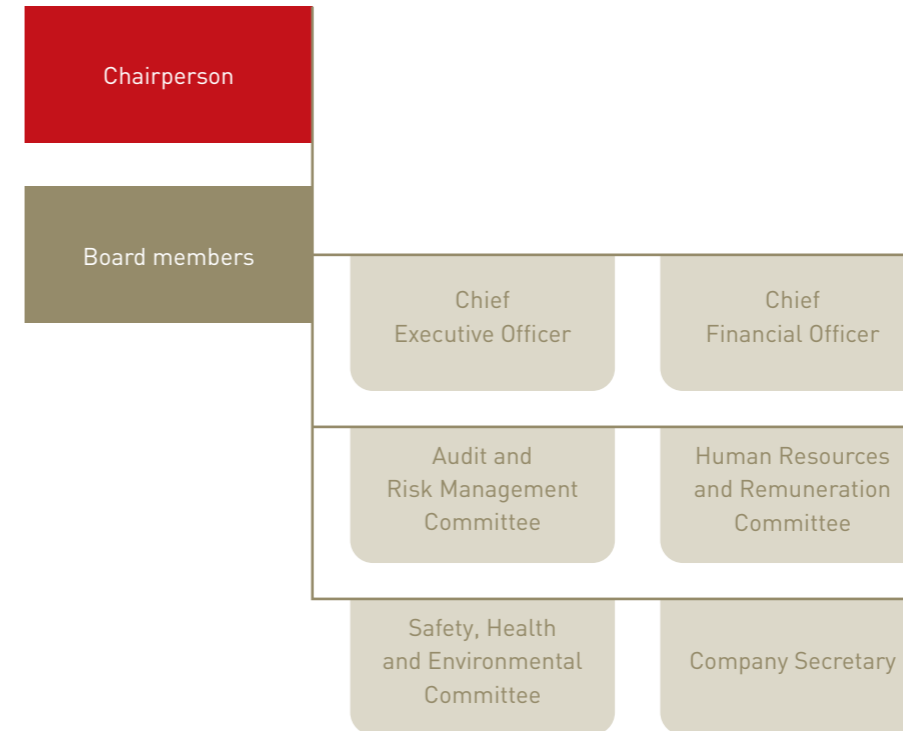
### Key financial performance indicators

	2009	2008	2007	
<b>Revenue growth</b>	<b>7.4%</b>	18.3%	33%	The Company increased revenue by 7.4% to R1.424 billion (R2008: R1.327 billion) during the current financial year despite the difficult economic and market conditions. The revenue increase is mainly attributable to increased revenue in the regional markets. Though economic threats linger for the following financial year, the airline is confident that revenue growth will be maintained.
<b>Number of revenue passenger growth</b>	<b>3.1%</b>	6%	31%	Passenger numbers increased by 3.1% in the current financial period. This was mainly attributable to difficult market conditions where organisations cut down on travel.
<b>Passenger load factors</b>	<b>67%</b>	67%	67%	The airline retained and maintained the percentage of passengers carried.
<b>Average passenger airfare increase</b>	<b>3.3%</b>	6.5%	2.5%	The average passenger airfares increased by an average of 3.3% for the current year compared to the prior year.
<b>On-time performance (OTP)</b>	<b>83%</b>	80%	81%	Punctuality is one of the most important key performance indicators in the airline industry. The airline was able to increase its OTP by 300 basis points by focusing on on-time departures and quicker aircraft turnaround.
<b>EBITDA</b>	<b>32.8%</b>	30.8%	28%	Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 13.8% to R466.97 million (2008: R410.38 million) enabling the EBITDA margin to increase to 33% (2008: 31%) in the current year. This profit increase is attributable to productivity improvements and cost-saving initiatives undertaken, despite operating expenses increasing by 24.5% to R1.272 billion (2008: R1.022 million).
<b>Cash interest cover (times)</b>	<b>5.7</b>	4.1	4.4	The Company's ability to pay interest charges on its debts has improved by 39% to 5.7 times of the total interest charged compared to the previous financial year of 4.1 times the total interest charged. This is largely due to the recapitalisation of South African Express by DPE resulting in lower interest payable on the overdraft previously charged by Transnet.
<b>Operating profit as % of revenue</b>	<b>26%</b>	26%	22%	The operating profit margin has remained the same at 26% in 2009 when compared to the previous period as a result of operational efficiency gains.
<b>Return on assets</b>	<b>16%</b>	18%	16%	Return on assets decreased from 18% in 2008 to 16% in 2009 due to a 31% growth in assets from R1.109 million in 2008 to R1.441 in 2009.

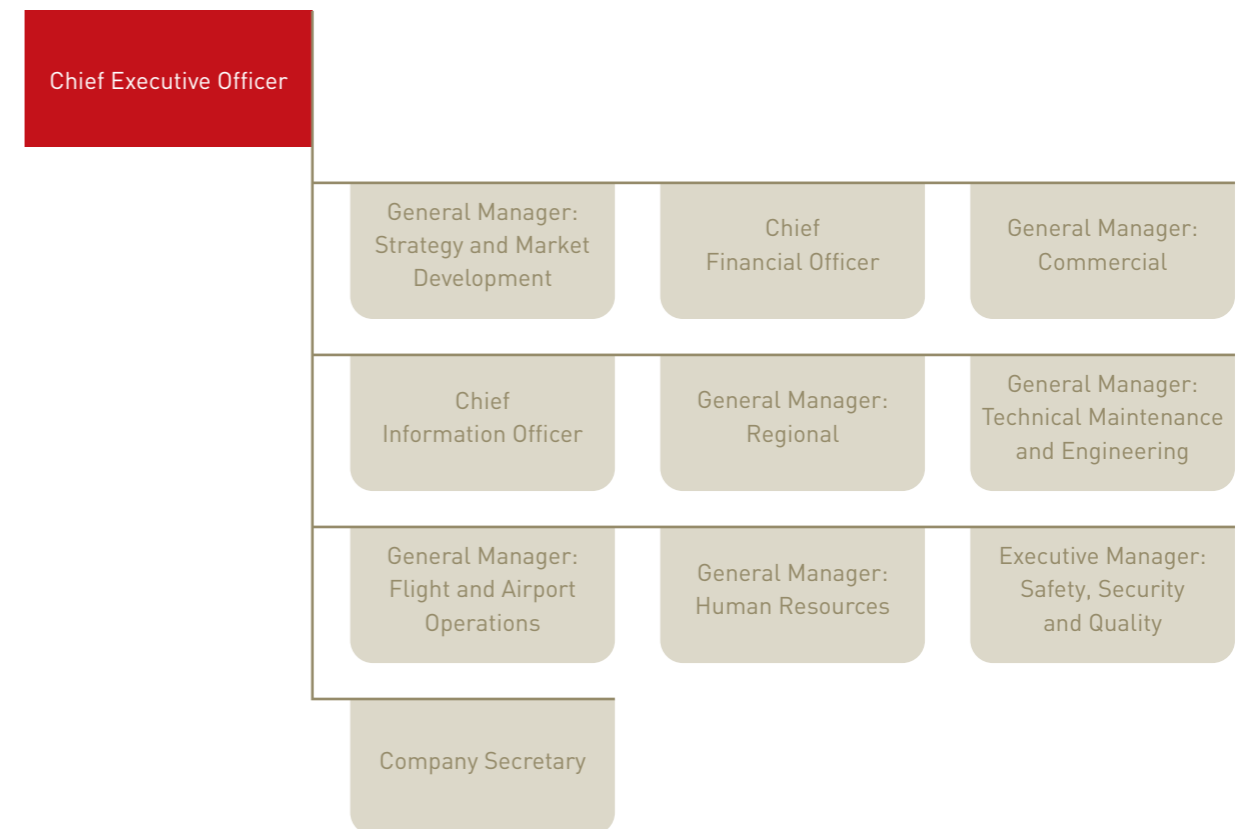


## Section 2. SOUTH AFRICAN EXPRESS LEADERSHIP

### AIRLINE ORGANOGRAM



### Board structure



### Executive management structure



**Standing:** George Mothema; Chris Christodoulou; Sikhumbuzo Zulu; Ndoda Madalane  
**Seated:** Bridget Ssamula; Matsotso Vuso; Lilian Boyle; Stavros Nicolaou  
**Not pictured:** Siza Mzimela; Ezra Bunyenyezi; Glenn van Heerden; Bonang Mohale

## Board of Directors

### Lilian Boyle – Chairperson

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

### Siza Mzimela – Chief Executive Officer and Executive Director

Siza Mzimela boasts an extensive career in the aviation industry that spans over 14 years in senior/executive positions. An Economics and Statistics graduate, Siza was part of the Standard Bank and Total leadership teams before joining South African Airways where she held various positions, including leading the Global Sales and Voyager portfolios, the heartbeat of the airline's revenue growth and profitability. Through her leadership, South African Express has experienced steady growth, operating new routes domestically and regionally. Siza's guidance has seen South African Express evolve into the fastest growing regional airline in Southern Africa.

### Sikhumbuzo Zulu – Chief Financial Officer and Executive Director

Sikhumbuzo Zulu is an accomplished chartered accountant and has worked extensively across the African continent, including the office of the Auditor-General, as a Southern Africa Development Community representative in the African Union. His work included the reviews of representative performance appraisals and compliance on the African Union's missions in Africa, the Americas, Europe and the Middle East. Sikhumbuzo is a Bachelor of Commerce graduate from the University of the Witwatersrand, where he majored in Accountancy. He obtained his Bachelor of Commerce (Hons) degree from the University of South Africa. Sikhumbuzo is a member of the South African Institute of Chartered Accountants (SAICA) and Independent Regulatory Board for Auditors (IRBA).

### Ezra Bunyenyezi

Ezra Bunyenyezi is a prominent Ugandan-based businessman operating in various business sectors, including banking, microfinance, insurance, real estate, telecoms, power, IT and logistics. He is respected for his negotiating skills. Ezra is experienced in implementing growth strategies, has a firm focus on budgetary considerations, is well versed in the implementation of policy objectives and remains conscious of the goal to maximise shareholder value. Ezra holds a Diploma in Mass Communication and a Diploma in International Travel and Consulting.

### Chris Christodoulou – Chairperson of the Safety, Health and Environment Committee and member of the Audit and Risk Committee

Chris Christodoulou, an expert on airline liability and regulatory issues, is the founder of Christodoulou & Mavrikis Inc, where he is currently 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 and has acted as an International Air Transportation Association (IATA) Training Facilitator and Fellow of the Institute of Directors (South Africa).

### Ndoda Madalane

Ndoda Madalane, a chartered accountant, is Chief Executive Officer of Tawa Group, a company involved in transport and logistics and real estate developments. In partnership with Investec and Standard Bank, he co-founded Shanduka Group, an investment holding and private equity fund management company, with Cyril Ramaphosa. During his career, Ndoda has held key strategic positions in prominent companies, including Shanduka, Old Mutual and Zader Investment Corporation. He conducted investment due diligence, including researching industry trends, evaluating operational and financial performance, valuation and the analysis of strategies for the companies. Ndoda holds a Bachelor of Commerce and Bachelor of Accounting Science (Hons).

### Bonang Mohale – Chairperson of the Remuneration Committee

Bonang Mohale is Country Chairman and Vice President: SOPAF South Shell South Africa Energy (Proprietary) Limited. An accomplished businessman, recipient of numerous awards and motivational speaker, Bonang has held various executive positions with pharmaceutical giant, Novartis and Otis, the world's biggest and oldest elevator company, South African Airways, Sanlam and Drake & Schull. 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.

### Stavros Nicolaou

A pharmacist by training, Stavros Nicolaou has been working in the pharmaceutical industry for many years and has held a number of marketing, sales, export and general management positions. As a Group Executive for Africa's and the Johannesburg Security Exchange's largest pharmaceutical manufacturer, Aspen Pharmacare Holdings Limited, he is responsible for the company's strategic development. An advisor to a number of companies and organisations on health, economics and pharmaceutical issues and recipients of many awards, Stavros serves on a number of boards, such as Transnet, Aspen Pharmacare International (Proprietary) Limited and Garec Pharmaceuticals (Proprietary) Limited.

### Bridget Ssamula

Bridget Ssamula, a Senior Researcher for the Built Environment Group at the Council for Scientific and Industrial Research, is a prominent scholar and academic. As a researcher and educationist, she has been involved in a number of projects to improve the standard of education across the African continent. She is a part-time lecturer at the University of Pretoria and has written extensively on a number of issues including engineering, aviation, and transportation. Bridget has taught at Makerere University in Uganda and has been a visiting scholar at several US universities such as the University of California in Berkeley. In South Africa, she has facilitated workshops to encourage engineering in high schools from different provinces. She holds a doctorate in Transportation Engineering.

### Glenn van Heerden

Glenn van Heerden has had an outstanding career in the car rental industry. As a co-founder of Avis Rent-A-Car, he worked for the group in various capacities for 37 years, including the position of Chief Executive Officer and later as a non-executive chairman. Glenn, a qualified pilot, led the expansion of Avis to become the number one car-rental company in South Africa, Southern Africa and the 14 nation Southern African Development Community. Glenn is a shareholder of Southern Africa Safaris, Inzalo (Proprietary) Limited, RCI International and Autonation and was the non-executive chairman of ATNS for six years.

### Matsotso Vuso – Chairperson of the Audit and Risk Committee

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 includes 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.

### George Mothema – Company Secretary

George Mothema, a qualified attorney, was promoted to the position after serving as Senior Manager for Industrial Relations and Human Resources for the airline. George practised corporate law for Kampheerbeek, Twine & Pogrund, and later Maponya Inc and Phillip Silver Sweden In. He has also worked for the Estate Agency Affairs Board as legal advisor responsible for prosecution of recalcitrant estate agents.

Executive management



**Siza Mzimela**  
Chief Executive Officer and Executive Director

Siza Mzimela boasts an extensive career in the aviation industry that spans over 14 years in senior/executive positions. An Economics and Statistics graduate, Siza was part of the Standard Bank and Total readership teams before joining South African Airways where she held various positions, including leading the Global Sales and Voyager portfolios, the heartbeat of the airline's revenue growth and profitability. Through her leadership, South African Express has experienced steady growth, operating new routes domestically and regionally. Siza's guidance has seen South African Express evolve into the fastest growing regional airline in Southern Africa.



**Dave Allanby**  
General Manager: Flight and Airport Operations

Captain Dave Allanby, a qualified pilot, is in charge of all airport operations, flight deck and cabin crew. He has been with South African Express since its inception in 1994. Captain Allanby spent nine years at SAA where he worked in various positions, including as a Senior First Officer. His career path through South African Express has been from Audit Captain to Chief Pilot to his current position of General Manager for Operations. His additional portfolios include Chairperson of the Tender Committee, Principal Officer of the Pension and Provident Fund and lead negotiator in annual union salary reviews.



**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 South African Express' seamless performance. Jenean has 29 years' 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 South African Express Technical. During the delivery of this project Jenean was approached by South African Express to join them in the role of Senior Project Manager IT before being appointed to her current position.



**Wesley Hermanus**  
General Manager: Human Resources

Wesley Hermanus strives to define an HR agenda and inculcate the strategic intent of human capital development. While he was at South African Airways for 10 years, he worked in the Flight Operations environment before moving to HR. Here, he held various managerial positions such as, Quality Manager, and Senior Manager: Skills Development, as well as Head of Industry Travel. He was also Divisional Manager: Learning Management for Discovery Holdings. Wesley is instrumental in driving a strong employee value proposition in South African Express, which would unlock wealth creation for the business as competitiveness is increasingly being driven by its employees. He holds a Human Resource Development qualification from the University of Johannesburg.



**Zuki Jantjies**  
Executive Manager: Airport Operations and Operations Control Centre (OCC)

As Executive Manager for Operations and OCC, Zuki Jantjies provides leadership to ensure the timely departure and arrival of passengers at airports. She also manages OCC, the centre which coordinates the movement of all aircraft. She previously headed South African Express' Marketing Department, which consisted of brand marketing, communication, public relations and product before she was promoted to the current position. Before joining South African 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 and Finance from Nottingham Trent University in the United Kingdom.



**Executive management** (continued)



**Thandi Kunene**  
Executive Manager:  
Sales and Marketing

Thandi Kunene provides leadership to the sales, customer services, marketing, product and reservations divisions. She has been involved in the airline industry for over 14 years, with special focus on reservations, passenger services, revenue management, auditing, alliances, sales and marketing. Before joining South Africa Express, she worked for Comair, British Airways and South African Airways. Thandi holds a BA (Hons), National Diploma in Tourism and Masters Degree in Business Administration.



**Arson Malola-Phiri**  
General Manager: Regional

Arson Malola-Phiri is currently the General Manager: Regional. 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 Africa region growth strategy. He holds an MSc (International Finance) from University of Stirling (UK), BCom and Diploma in Business Studies.



**Tshavhungwe Mamphiswana**  
Executive Manager: Legal Services

To protect South African Express' rights and interests, Tshavhu Mamphiswana provides leadership in legislative and regulatory compliance, formulation of policies, procedures, standards and guidelines, contracts management, overseeing good governance, route rights applications and providing a general legal consultancy service to employees. Tshavhu holds a BProc and LLB Degrees from the University of Natal (Durban).



**Peter Mashaba**  
Executive Manager: Safety Security  
and Quality

Peter Mashaba is responsible for the safety of the airline by ensuring compliance with Civil Aviation Regulations (CAA) and international standards set by IATA. Peter's involvement in the aviation industry spans over 13 years which include both the airline and the regulatory environment. Prior to joining South African Express, Peter worked at South African Airways and the South African Civil Aviation Authority (SACAA) where he was responsible for safety of commercial aircraft operators. He was also involved in preparing South Africa for state civil aviation safety audits conducted by the International Civil Aviation Organisation (ICAO) and Federal Aviation Administration (FAA) in 2007. He holds a Masters Degree in Aviation Safety and Aircraft Airworthiness from ENAC and ENSICA University in France, and is currently studying to achieve his PhD in Management of Technology and Innovation.



**Inati Ntshanga**  
General Manager: Strategy and  
Market Development

Inati Ntshanga is responsible for the development of South African Express' strategy and market development, including driving expansion into new routes. In the last 10 years, Inati has held various roles in the airline industry, particularly at South African Airways where he worked in various departments, including Voyager, Airport Operations, Regional General Manager for the Americas and Executive Manager of Strategy and Planning. He briefly left the airline industry for Old Mutual Personal Financial Advice where he was Regional General Manager for the Gauteng region. Inati is a Harvard Economics graduate.

**Executive management** (continued)



**Jerome Simelane**  
General Manager: Commercial

Jerome is responsible for the airline's commercial activities including sales, marketing, scheduling and planning, customer services, e-commerce, pricing and revenue management. Jerome started his career at South African Airways as a Business Analyst in the Management Accounting area. He was part of the Global Sales team at South African Airways and an analyst for FNB HomeLoans in the Marketing and Innovation area before joining South African Express in 2004. He held various other roles within the company from managing capacity and yield to scheduling and planning. In his current position, he has also taken the responsibilities of direct sales and supply chain management. Jerome is a graduate of Potchefstroom University (North West) where he obtained a Bachelor of Science Degree, majoring in Statistics and Mathematics. He also holds a Post-graduate Diploma in Business Administration from the Gordon Institute of Business Science (GIBS) with the University of Pretoria.



**Ramon Vahed**  
General Manager: Technical Maintenance and Engineering

Ramon Vahed specialises in aircraft maintenance. During his 14 years in the aviation industry, Ramon has steadily acquired more knowledge and expertise and elevated his qualifications to the level of fully certified technician responsible for maintaining South African Express' fleet of 23 regional aircraft. Ramon previously worked as Senior Airline Technical Representative based at Airbus in Toulouse, France where he helped South African Airways in its largest ever acquisition of 26 Airbus aircraft. Under his direct leadership, South African Express' maintenance department has attained an international award for performance and reliability.



**Este Welman**  
Executive Manager: Finance

Este Welman joined South African Express in 2007 as Manager Tax and Reporting. She was quickly promoted to Senior Manager: Management Accounts at South African Express and rose through the ranks to become Executive Manager Finance in August 2008. Este leads the entire Finance team with passion and zest, reporting directly to the Chief Financial Officer. Este is a qualified chartered accountant and holds an MCom in National and International Tax from the North West University in Potchefstroom.



**Sikhumbuzo Zulu**  
Chief Financial Officer

Sikhumbuzo Zulu is an accomplished chartered accountant and has worked extensively across the African continent, including the office of the Auditor-General, as a Southern Africa Development Community representative in the African Union. His work included the reviews of representative performance appraisals and compliance on the African Union's missions in Africa, the Americas, Europe and the Middle East. Sikhumbuzo is a Bachelor of Commerce graduate from the University of the Witwatersrand, where he majored in Accountancy. He obtained his Bachelor of Commerce (Hons) Degree from the University of South Africa. Sikhumbuzo is a member of the South African Institute of Chartered Accountants (SAICA) and the Independent Regulatory Board for Auditors (IRBA).



## OUR VISION AND VALUES

### Vision

South African Express aims to become the most successful regional airline providing the best service to our customers whilst optimising profit.

### Core values

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

## Section 3. DIRECTORS' REVIEWS



Announcing, on behalf of the South African Express' Board of Directors, positive financials is a task that makes us proud to be part of an airline that is operated according to performance-driven principles.

Lilian Boyle, Chairperson of the Board

## CHAIRPERSON'S REVIEW

I am delighted to present my second annual report on the good performance of South African Express. Globally, most businesses had little to celebrate during the past volatile financial year due to the worldwide economic meltdown. However, this was far from being the case for South African Express.

Announcing, on behalf of the South African Express' Board of Directors, positive financials is a task that makes us proud to be part of an airline that is operated according to performance-driven principles.

We have much to be proud of. In this financial year alone, South African Express acquired three aircraft to support its regional expansion plans. The airline will continue to play a significant role in enhancing the connections between main and secondary hubs within Africa, thus continuing to be a powerful player in developing our continent's economy.

Credit is due to the leadership for their vision and adherence to the airline's core strategy throughout the economic crisis. At a time when most businesses would have compromised their goals to keep their operations afloat, South African Express remained focused on efficiencies that would see the airline maintain its profitability and service delivery.

Our employees can also proudly boast the fact that they are employed by a company that is committed to their development and ensures that their high performance contribution to the business and our passengers is appropriately rewarded.

Keeping the momentum on continued efficiency improvement in the business and building on the solid foundation that we have all created, will see South African Express' growth escalate in the next 15 years.

I am confident that in the years to come, the airline is destined to soar beyond expectation. Maintaining the results of 2008/09 guarantees that the brand will grow not only within Southern Africa, but also within our continent, with our reputation for service excellence recognised across the globe.

I am grateful to my fellow Board members and to our executives and staff for their hard work and dedication which have contributed to another successful year.



## CHIEF EXECUTIVE'S REVIEW

This year I celebrate my fifth anniversary as Chief Executive of South African Express. When stepping on-board the airline in 2003, the business was brimming with untapped potential, with the airline's core function being to provide a valuable service in connecting the smaller cities to the main hubs in Southern Africa.

As each year presented its own set of challenges: from financial difficulties to operational and management discrepancies, the team at South African Express faced these challenges with sober optimism and embarked on a long-term sustainable turnaround strategy aimed at getting all the basics right. Strengthening South African Express' balance sheet and increasing revenue while reducing costs was key in ensuring that the foundation was laid for a more efficient airline. Determined to unravel the airline's potential for greatness, the strategy took off and the airline was on its way to success.

### The aviation industry and the global economic crisis

The 2008/09 financial year can be summarised as a turbulent period for the global economy and in particular, the aviation industry. For the first time, fuel prices sky-rocketed past the US\$140 a barrel mark during the course of the year and then came tumbling down below the US\$45 mark.

While some airlines quickly adapted and assumed contingency measures, over 30 airlines worldwide closed their businesses due to the economic crisis. It is common knowledge that the aviation industry is susceptible to any slight change in the economy. The 2008/09 financial year highlighted that a modification in the economy, no matter how insignificant, can positively or adversely affect the industry.

### South African Express' growth despite global economic crisis

South African Express is proud to report growth in our annual financial report, especially as this year has been tough on all businesses worldwide. For our airline, the key to attaining successful financials has been staying focused on our core strategy and avoiding venturing into unprofitable business ventures that may be deemed lucrative by our competitors but remain outside our key focus areas.

In addition to consolidating all South African Express' domestic operations, the airline ensures that there is a feasible demand for all new routes, and that these new routes will benefit both our customers and our business.

The passion and dedication of our employees is what sets us apart from the rest.

Siza Mzimela, CEO

## Directors' reviews (continued)

Furthermore, our airline pays close attention to the fuel efficiency of its fleet type. South African Express ensures that the correct gauge aircraft is used for the correct route to make certain that fuel costs are contained. Most importantly, after rigorous analysis, choosing **not** to hedge our fuel, unlike a number of airlines, was a positive move for South African Express.

In our day-to-day operations, we always place cost containment and further improving on efficiencies in our business, high on the agenda. None of these would be achieved without the passion and dedication of our employees and the support of our customers. South African Express always strives to offer service excellence and our people work towards delivering on this motto daily.

These key focus areas have played a significant role in our success over the years and we are confident that they will lift our airline through the current global recession.

### Growing intra-Africa connections

In November 2004, South African Express began operating to the Democratic Republic of Congo (DRC). This route has flourished to become one of our airline's most lucrative markets and plans to further develop intra-Africa connections are in place through the regional intra-Africa hub strategy.

Aviation has the power to contribute to our continent's economy by stimulating trade and tourism throughout Africa. South African Express is excited to further develop the DRC hub which promises to have viable, long-term growth opportunities.

### Shareholder relationships and alliances

The conclusion of South African Express' transfer of shares from Transnet to the Department of Public Enterprises (DPE) has occurred.

South African Express enjoys an alliance with mainline carrier South African Airways (SAA). This mutually rewarding alliance provides a plethora of benefits for both carriers. Our airline provides an extensive feeder network to SAA, with South African Express passengers gaining access to optimally coordinated flight schedules, local and international connections, facilities such as ticketing, check-in, mutual branding and flight codes.

### The future for South African Express

South African Express' vision is "to be the most successful regional airline with the mission to provide the best service whilst optimising profits," however the growth of South African Express affects areas that exceed far beyond our business objectives. The advantage of being a regional airline is that we contribute not only to the development of our country, but to the rest of the continent as well.

By continuing to operate to secondary hubs, we make a difference on a much larger scale, allowing international businesses access to quality air-transportation that will allow the exploration of opportunities that will ultimately grow our continent.

## STRATEGIC IMPERATIVES

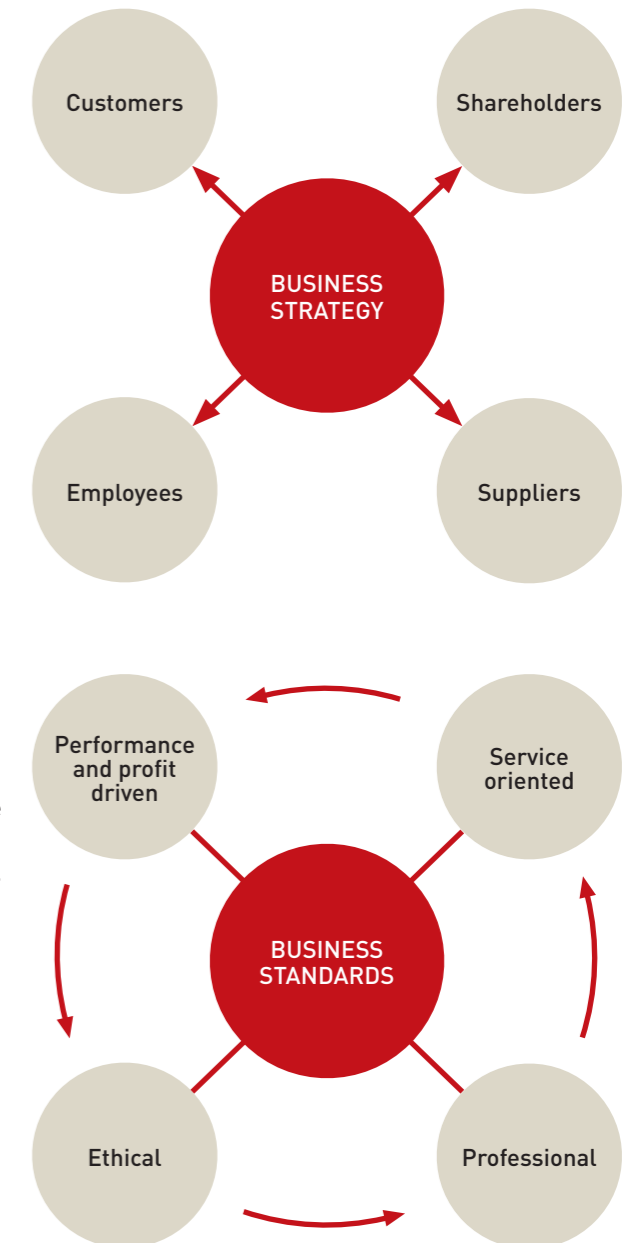
South African Express utilises frequency as a catalyst to build and grow new markets. The airline provides a strong feeder network to international carriers, and continuously seeks to develop new secondary entry points into the SADC region.

South African Express has successfully implemented a turnaround strategy to reduce costs through more efficient systems and processes over the last three years.

South African Express aims to achieve greater accountability, transparency and stakeholder confidence through good corporate governance practices in accordance with international best business practices. The airline is committed to business standards that are ethical, professional, service-oriented, performance and profit driven.

When developing strategies, South African Express adopts a holistic approach that takes the community, customers, employees, suppliers and shareholders into consideration.

Subscribing to the triple bottom-line principle ensures that the effect that South African Express' services have on the environment are minimal. The triple bottom-line principle ensures that social aspects involve values, ethics and a reciprocal relationship with stakeholders other than the airline's shareholders and that economic aspects refer to the financial performance of the Company. Additionally, South African Express pays due attention to non-financial issues such as human rights and Aids.





South African Express places a lot of emphasis on the values of the Company. In light of these, one of our main values are to remain performance driven by optimising profits.

Sikhumbuzo Zulu CA(SA) CFO

## CHIEF FINANCIAL OFFICER'S REVIEW

### 1. Purpose

Stakeholders are advised to read this review in conjunction with the annual financial statements presented from page 44 to 67. The purpose of this review is to provide insight into the financial position of South African Express (Proprietary) Limited at 31 March 2009 and its financial performance and cash flows for the year.

### 2. Economic overview

Our financial strength has significantly improved over the last few years and these results put us in a good position to deal with the extremely difficult climate which is now gripping the industry.

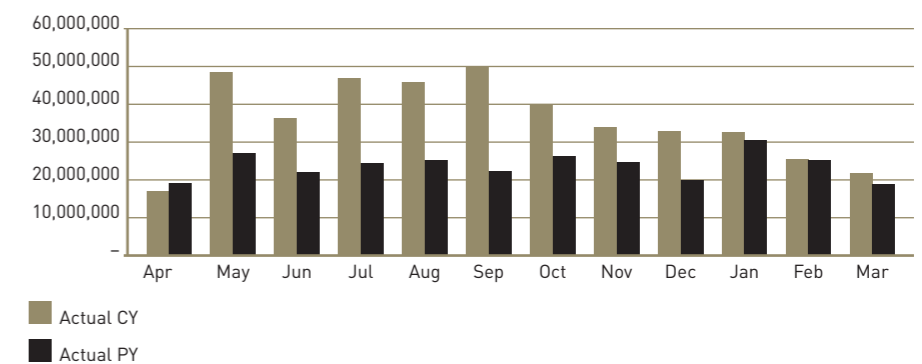
Key risks affecting operating performance:

#### a) Crude oil prices

Our aircraft use jet fuel which is priced in US dollars, resulting in the operational exposure to crude oil prices. The key factors influencing the Company's ultimate fuel price exposure is crude oil price, rand/dollar exchange rate, the crack spread and retailers margins.

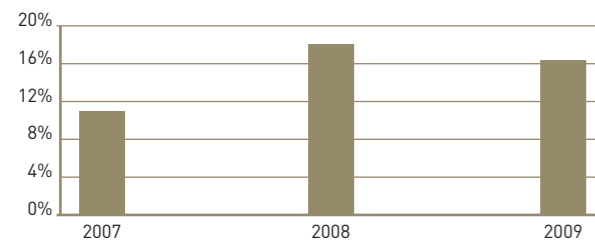
The crude oil price increased significantly in the first half of the financial year under review to a level in excess of the US\$100 budgeted for. The impact of the crude oil volatility is reflected below.

Fuel expense: actual CY vs actual PY

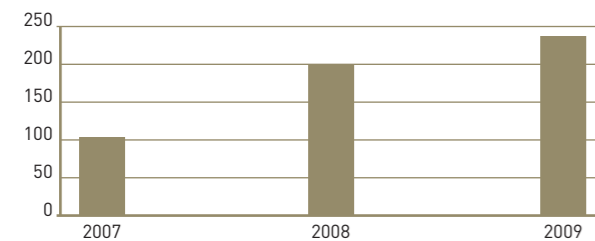


## Directors' reviews (continued)

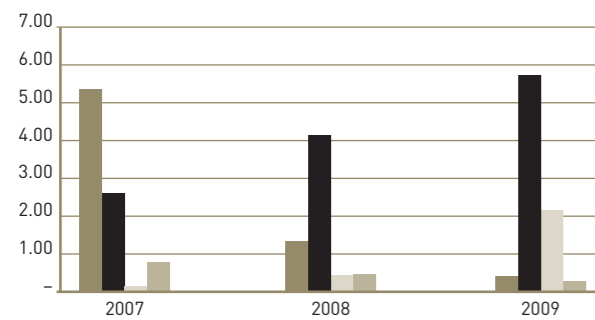
### Return on assets



### Profit attributable to shareholders (R million)



### Gearing ratio



■ Debt to equity  
■ Equity ratio  
■ Times interest earned  
■ Debt ratio

### b) Exchange rates

The rand/dollar exchange rate impacts on our turnover, operating lease cost and aircraft maintenance cost. The effect of turnover relates to the deemed foreign revenue on over border operations and revenue from connecting airline passengers. The operating lease agreements relate dominantly to overseas suppliers and payments are therefore dominated in US dollars. The aircraft maintenance cost relate to the procurement of spare parts and offshore services.

As a result of the economic downturn the rand depreciated against the dollar and South Africa being an emerging market suffered in the past financial year. The average exchange rate impacted on all the individual items above. The net impact of the rand/dollar exchange rate amounted to a negative R13,657,089.

## 3. Financial performance

South African Express places a lot of emphasis on the values of the Company. In light of these, one of our main values are to remain performance driven by optimising profits. We measure our financial performance in terms of various key financial indicators. These indicators relate to a number of performance areas across the business including profit growth, gearing, return on invested capital.

## 4. Operating performance

The turnover and expenses for the year have increased by 22% against a background of ever-increasing fuel prices. The profit before tax has increased by 18% to R313 million (2008: R266 million) and the net profit by 19%. The revenue increase is mainly attributable to increased revenue in the regional markets. Though economic threats linger for the following financial year, the airline is confident that revenue growth will be maintained. South African Express remains dedicated to become the number one regional airline on the continent.

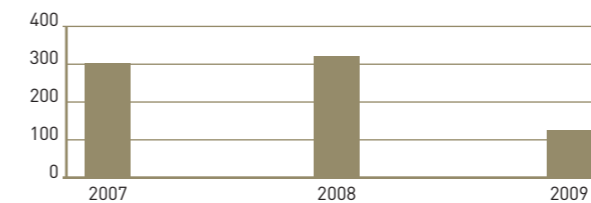
	2009	% change	2008	% change	2007
Turnover	1,857,874,326	21	1,528,708,993	14	1,336,009,651
Expenses	1,622,490,766	22	1,331,688,019	10	1,214,869,402
Net profit	235,383,560	19	197,020,974	63	121,140,249

## 5. Cash flow

	2009	% change	2008	% change	2007
Cash generated by operating activities	129,253,471	(59)	318,999,950	87	296,665,346
Cash inflow/(outflow) due to investing in capital assets	559,647,491	903	(69,729,458)	(112)	(32,852,142)
Cash outflow from financing activities	(112,803,937)	53	(240,793,452)	6	(255,966,008)

For the financial year under review, the cash generated by operations amounted to R129 million. Over the last three years we have generated, on average, R248 million per annum.

### Cash generated by operations (R million)



The airline's working capital requirements have steadily increased over the last three years due to the impact of the increased fleet on the required inventory of spare parts and passenger revenue on trade receivables. The increase in working capital is expected to be funded from cash generated by operations.

The additions to the non-current assets relate mainly to the maintenance requirements of the fleet which amounts to R149 million (2008: R70 million).

## 6. Financial strategies

Given the need for additional funding, South African Express will maintain the current credit rating equivalent of a BBB+ rating, which requires an EBITDA-to-interest coverage of at least five in its industry. As at year-end, the Company's cash interest cover amounted to 5.77 times (2008: 4.4 times).

The current debt-to-equity is 46% and is in support of the optimum funding structure which supports acquisition of aircraft through operating leases.





## Section 4. HUMAN CAPITAL

### THE EXPRESS WAY

#### Building a world-class workplace consisting of a world-class workforce

South African Express HR strategy continues to focus on the retention of a competent workforce with highly developed skills. The journey to build a performance driven culture is intrinsic to the overall business success.

Building a world-class workplace consisting of a world-class workforce remains fundamental to the employee value proposition of South African Express.

#### Our organisational culture: The Express Way

At the heart of the airline's success is its culture and people. Our organisational culture is the collection of relatively uniform and enduring values, beliefs, customs and practices that are uniquely shared by the people working for South African Express, which are transmitted from one generation of employees to the next.

The way we do business at South African Express is commonly known as the "Express Way". The Express Way is about being hardworking, vibrant and flexible. Our people are "loud and proud" and we have fun whilst being hands-on in delivering against stringent performance objectives. Performance is driven with intolerance for mediocrity. It is the attitude of excellence that dictates an "adapt or die" milieu.

The organisation's non-hierarchical and non-bureaucratic structure encourages innovation and speedy delivery in all its employees that can only be described as an amazing pace. Accountability is, however, key in this totally diverse environment.

Over and above this high performing culture, The Express Way is built on a steadfast adherence to a strict moral or ethical code. The quality or condition of our interactions is undivided and unimpaired. This is the foundation of the trust that exists as a principle between individuals and teams. We will continue to strive towards total professionalism and being knowledgeable in our various areas of expertise.

Our decision-making and behaviour will always have a bias towards being prudent and consistent with a customer-centric approach to provide the best service to our customers whilst optimising profits.

It is by continuously assessing and evaluating our attitude that we strive towards innovative initiatives that bring business excellence against great market challenges.

## Human capital (continued)

The Express Way finds its equilibrium between being performance driven and people considerate in a **Care to Grow** approach. The leadership is approachable, and expects the same from all South African Express people. It is in this way that we foster a culture that feels homely and family like. Engagement at all levels is to grow one another by caring, and caring sometimes means having fierce conversations, which are totally benevolent.

We embrace diversity and keep people engaged through involvement, participation and integration and this is evident in our diverse workforce.

### People management

In the last financial year South African Express enhanced its professional and effective HR function by ensuring that its policies have been reviewed and aligned. The people management processes and system have been enhanced to improve turnaround time. Performance management education, monitoring and tracking was implemented through business partnering.

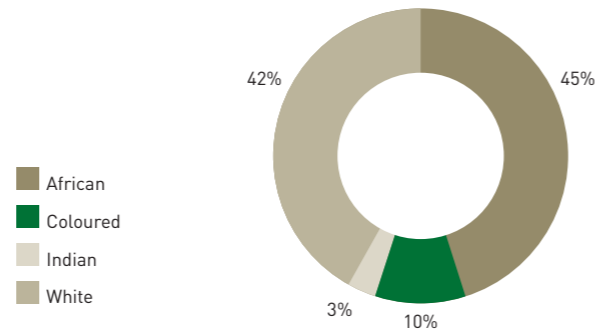
South African Express continued throughout the year to implement recommended changes as indicated by the Climate Survey, which was concluded in February 2008. South African Express therefore launched a visible recognition programme with the introduction of the annual awards programme suitably titled "StarStruck".

### People profile

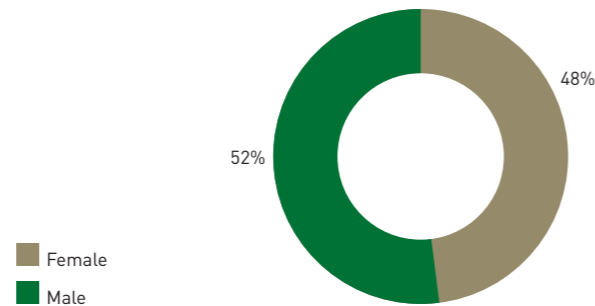
South African Express has a total headcount of 839. The overall employment profile reflects very positively against national and industry benchmarks. The race profile is 42% white and 58% black and the gender profile is 48% female and 52% male. (See the following table and graphs).

Over the past year, the race profile has changed positively by 3%. Within management, the race profile also reflects positively with 56% black and 44% white managers. The flight deck crew job category however, remains a challenge. This must be considered against the industry as a whole that is experiencing a skills shortage in the pilot, engineers and technicians categories.

#### Race



#### Gender profile



### Corporate social investment and employee wellness

Social development programmes and wellbeing initiatives were implemented in partnership with employees. Our employees engaged in a Christmas pledge initiative which allowed us to touch five care centres with donations during the festive season, thereby improving the lives of children in their care.

The HIV/Aids awareness and Wellness day initiatives were rolled out this year, as aligned to our Wellness strategy.

Gender	African	Coloured	Indian	White	Total
Female	182	49	12	81	324
Male	200	34	9	272	515
<b>Grand total</b>	<b>382</b>	<b>83</b>	<b>21</b>	<b>353</b>	<b>839</b>

### Apprenticeship programme

The apprenticeship programme is a skills development programme that is aimed at increasing the talent pool for the critical skills shortage of aircraft technicians within South African Express and the aviation industry on a national and global level.

The duration of the programme is two and a half to three years, with the methodology initially consisting of a 35-week theoretical training course, followed by on-the-job training. At the end of the programme, candidates complete the trade test. Once successful, they would either qualify as an aircraft avionician, aircraft mechanic or aircraft trimmer, depending on their trade focus during the apprenticeship period.

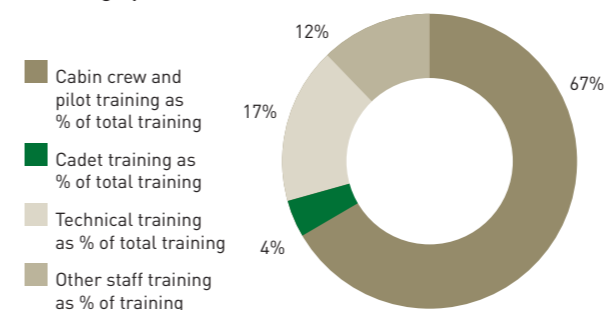
We currently have 13 apprentices at South African Express who are at different stages of their training. South African Express' apprenticeship programme is designed to produce outstanding technicians with the necessary proficiency, skill and expertise to uphold the airline's utmost priority of safety.

### Skills development

The skills development training spend is above the norm. The following tables and graph reflects the skills development distribution.

Training	Personnel costs	Total
29,015,687.00	209,673,043.00	238,688,730.00
<b>Training as % of total payroll</b>		<b>12%</b>

#### Training spend



The bulk of the training budget as indicated above fell into the operations and technical training pool. This was as a direct result of the organisation's skills priorities. South African Express still prides itself of the successful continuation of the cadet pilot training programme. The ACCA learnership programme was launched during this financial period to equip our Finance Department with qualified employees.

### Cadet pilot programme

After successfully launching its own exclusive cadet pilot programme in 2008, South African Express continues to implement this exciting programme which is geared to address the current global pilot shortage. The airline offers two courses for prospective pilots.

**Cadet Mach 1:** This is the abinitio course for the cadets who have zero or very few flying hours. These candidates would have to be sent to a flying school for 18 to 24 months in order to complete a full commercial pilot's licence prior to being brought into South African Express to join the Dash 8 aircraft pool.

**Cadet Mach 2:** This is for previously disadvantaged individuals (PDIs) who are fully qualified commercial pilots but cannot find employment because of their low time experience level.

### Corporate HR strategy

The human resource strategy will focus on the following areas:

- Facilitating a dynamic performance driven culture
- Attracting and retaining highly talented individuals
- Managing an effective training and development capability to enhance the overall competence of staff
- Promoting wellbeing and diversity
- Providing human capital solution in support of the African expansion strategy
- Consolidating the role of HR as a strategic business partner and improve delivery capability
- Maintaining legislative compliance and good relations between management, staff and organised labour



## Section 5. CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE REPORT

#### The Board of Directors

South African Express has a unitary board structure comprising of nine non-executive and two executive directors. The names and details of the current directors are set on the next page. All directors served throughout the financial year. The non-executive directors are appointed by the shareholder and executive directors by the Board in consultation with the shareholder.

The roles of the Chairperson and Chief Executive Officer (CEO) are separate. The separation of responsibilities ensures a balance of authority and power, with no single director having unlimited decision-making powers. The Board and Management strongly subscribe to a governance system whereby ethics and integrity set the standards of compliance throughout the organisation. The Board recognises its responsibility to conduct the business of South African Express with prudence, transparency and accountability.

All directors have unrestricted access to the advice and services of the Company Secretary. Directors also have unrestricted access to all Company information, records, documents and property. Furthermore, the directors are entitled to independent professional advice at the Company's expense. During the year under review the directors received professional advice from Bowman Gilfillan on matters relating to the consent of third parties to the sale of the South African Express' shares by Transnet Limited to the Department of Public Enterprises, Andisa Capital on setting up of the Treasury Operation and Daylite Capital on the expansion programme into the Democratic Republic of Congo.

#### Role and function of the Board

The role of the Board of Directors is to ensure enhanced performance of the Company with regard to organisational strategy, business goals, and the proper discharge of the mandate of the shareholder. The Board does this by exercising appropriate oversight of management activities. This included monthly review of the Company management accounts for the year under review due to oil price and currency fluctuation.

The Board was fully assisted by the Company Secretary. The Company Secretary is responsible to ensure that the Board's activities are managed effectively and diligently. Further, the Company Secretary is responsible for providing the directors with guidance with regard to discharging their responsibilities within the terms of the applicable regulatory requirements.

### Board Charter

The Board has a formal, documented charter which states that the directors of South African Express retain overall responsibility and accountability for the Company, its strategic direction and annual business plan and budget. The Board is ultimately responsible for legal and regulatory compliance, risk management, accounting policies and practices, performance measurement, transparency and communication with stakeholders.

Authority has been delegated to the CEO in terms of the clear and precise delegation of authority for the implementation of the Board strategy and management of the business. The directors are appraised of operation of the business through both regular CEO updates at board meetings and ongoing electronic communication.

### Board composition

The Board is chaired by an independent non-executive, Lilian Boyle. The Chairperson is responsible for the overall functionality of the Board including, provision of leadership, presiding over meeting, provision of a link between the Board and shareholder, that directors attend Board meetings regularly and contribute positively to the strategic affairs of the Company and leading and directing the proceedings, deliberation and decisions of the Board. The day-to-day operation of the business is vested to the CEO, Siza Mzimela, with a clear delegation of authority.

The Chief Financial Officer, Sikhumbuzo Zulu is responsible for the financial management of the business and a full-time member of the Board of directors. The directors have extensive business experience across a diverse range of sectors, enabling them to provide balanced and independent advice and judgement in the decision-making process. The Board met five times for the year under review at the offices of South African Express. No additional meetings were convened during the year. The main function of the board is:

- Audit and Risk Committee
- Human Resources and Remuneration Committee
- Safety, Health and Environmental Committee

- The Board approved a new subcommittee, Financial and Risk Sub-Committee (FRSC) in terms of the treasury policy during the year under review. This committee will be a subcommittee of the Audit and Risk Committee and the Board shall be responsible in consultation with management for appointment the members of the committee. The main function of the financial risk subcommittee will be to monitor implementation of the treasury policy by the Company. This committee will ensure that the framework for managing the Company's treasury activities across the business are adhered to.

The Board is constituted as follows:

L Boyle	Chairperson
E Bunyenyenzi	Non-executive director
B Christodoulou	Non-executive director
N Madalane	Non-executive director
S Nicolaou	Non-executive director
B Ssamula	Non-executive director
G van Heerden	Non-executive director
M Vuso	Non-executive director
B Mohale	Non-executive director
S Mzimela	Executive director
S Zulu	Executive director

### Function

The Board retains full and effective control of the Company with the following primary function:

- Determine the Company's purpose and objectives.
- Provide proper financial oversight.
- Ensure legal and ethical integrity and maintain accountability.
- Enhance the organisation's public standing.
- Support the CEO and assess her performance. Overseeing management and evaluating whether the Company's business is being effectively managed, which includes overseeing management's efforts to implement and operate the Company's accounting, financial and other controls. Selecting, regularly evaluating and planning for the succession of the CEO and such other members of executive management as the Board deems appropriate;

### Register of attendance

Name	18 Apr 08	5 Jun 09	12 Sep 09	13 Nov 09	20 Feb 09
L Boyle	Present	Present	Present	Present	Present
B Mohale	Present	Present	Present	Present	Present
B Ssamula	Present	Present	Present	Present	Present
E Bunyenyenzi	Apologies	Apologies	Present	Present	Present
G van Heerden	Apologies	Present	Present	Present	Present
M Vuso	Present	Present	Present	Present	Present
N Madolane	Present	Present	Present	Present	Present
S Nicolaou	Present	Apologies	Present	Present	Present
S Mzimela	Sick leave	Present	Present	Present	Present
S Zulu	Present	Present	Present	Present	Present

- Determining the salary and incentive compensation of the CEO, and determining the incentive compensation of all other officers and reviewing their salaries and making changes in such salaries as the Board deems appropriate;
- Reviewing the Company's strategic plans and objectives, including the principal risk exposures of the Company;
- Providing advice to the CEO and other executive management of the Company;
- Overseeing committees of the Board established for the execution of any delegated responsibilities of the Board;
- Evaluating the overall effectiveness of the Board. In discharging their responsibilities, directors must exercise their business judgement to act in a manner they believe in good faith is in the best interests of the Company and its shareholders.

The agenda for the meetings and the supporting documents (board packs) were circulated to the Board members within seven days prior to the meeting, where feasible. A Board calendar was presented to the Board prior to the beginning of the year under review for items of the business requiring deliberation at Board and subcommittee meeting.

In addition to the meetings, resolutions of the Board were also taken by way of directors' written resolutions in terms of the provisions of the articles of association, where necessary. These were distributed through round robins, as provided in the articles of association. Such matters were deliberated by the Board prior to circulation of the respective round robins including arranging management interviews. Request for these type of 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.

Minutes of the meetings were kept in the minute books for the relevant year and access of the said minutes was given to both internal and external auditors for auditing.

### Audit and Risk Committee

The Audit and Risk Committee assists the Board with financial reporting, risk management, integrity of financial statements including internal controls, accounting policies, financial performance and compliance with the Public Finance Management Act, International Financial Reporting Standards and all other applicable legislation in respect of financial matters. In fulfilling its oversight responsibilities, the committee reviewed and discussed the audited financial statements. This included a discussion of both the quality and acceptability of the accounting principles, the reasonableness of significant judgements and the adequacy of disclosures in the financial statements.

## Corporate governance (continued)

Name	14 Apr 08	3 Jun 08	5 Jun 08	28 Aug 08	17 Feb 09
M Vuso (chairperson)	Present	Present	Present	Present	Present
C Christodoulou	Present	Present	Present	Present	Present
N Madalane	Present	Present	Present	Apologies	Present
S Mzimela	Sick leave	Present	Present	Present	Present
S Zulu	Present	Present	Present	Present	Present

With the independent auditing firm, which is responsible for expressing an opinion on the fair presentation of those audited financial statements in accordance with International Financial Reporting Standards, the committee reviewed the Company's judgements on the quality and acceptability of the Company's accounting principles. Based on the reviews, discussions and interviews, the committee recommended to the Board of Director's approval of the audited financial statements for the year ended 31 March 2009.

The committee held four meetings in total, two which were held by the previous committee. The current chairperson of the committee is a continuing member of the committee.

The current chairperson of the committee is a continuing member of the committee. The committee is pleased to present its report for the year ended 31 March 2009 in compliance with all relevant regulations.

### Audit Committee members

The committee consists of three independent non-executive directors and two executive directors. The administrative affairs of the committee are managed by the Company Secretary who assists the committee with guidance and advice in discharging its duties, responsibilities and obligation.

In addition to the above the internal and external auditors attended all meeting per invitation.

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

- Reviewed the procedures for the identifying the business risk and managing the impact on the Company;
- Reviewed and recommended implementation of the Company's policies and procedure for the detection and prevention of fraud and unethical conduct. A whistleblower hotline was introduced and 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 internal audit plan for the year under review;
- Reviewed and approved the external auditors planning memorandum.
- Considered and reviewed the Company's half yearly unaudited financial results;
- Reviewed the annual report and financial statement 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 2009/10; and
- Reviewed and recommended for approval the section 38 of the Companies Act provision.

Further, the committee is pleased to report that where any weaknesses were identified by the internal auditors in respect of internal controls, management took corrective measures to reduce or eliminate the risk. The committee is therefore of the opinion, based on the information and explanations given by management and the internal auditors and discussion with the external auditors on the result of their audits, that the internal controls of the Company have operated effectively and where the internal control systems fail to meet the required standards corrective measures were taken.

Following our review of the financial statements for the year ended 31 March 2009, the committee is pleased to report that the annual financial statements are compliance in all material respects with the requirements of the Companies Act, 61 of 1973, as amended, the Public Financial Management Act, 1 of 1999 and the International Financial Reporting Standards.

The Audit Committee therefore recommended to the Board the approval of the annual financial statements.

### Human Resources and Remuneration Committee

The remuneration philosophy of South African Express is to attract, develop, and retain key individuals and reinforcing superior performance in order to maximise profitability. The Company's remuneration policies are aligned to the strategic objectives of the business. The committee believes that bonus payment to employee which is linked to the performance of the Company and individual employees as well as the long-term incentive scheme are sufficient motivation to the employees. The committee met four times during the year under review.

Name	5 Jun 08	13 Nov 08	20 Feb 09
B Mohale (chairperson)	Present	Present	Present
B Ssamula	Present	Present	Present
E Bunyenyezi	Present	Present	Present
S Nicolaou	Present	Present	Present
S Mzimela	Present	Present	Present
W Hermanus (GM: HR)	Present	Present	Present

The committee discussed all aspects of remuneration of executive directors, fees of non-executive directors, considered the progress of the cadet pilot programme to enhance transformation objectives within the pilot group. The committee also reviewed the Company's employment equity profile, reviewed the criteria for allocation of the long-term incentive scheme for non-management staff in order to retain the high performing employees.

### Remuneration policy

Remuneration Committee comprising four non-executive directors and one executive director. The committee is responsible for the overall competitive remuneration policies and determines on behalf of the Board, the remuneration of directors. It further determines the terms and conditions of employment of the executive directors.

In determining the remuneration policies, comparative industry surveys are provided by the Company's Human Resources Department to enable the committee to take heed of issues such as market norms, skills retention and performance of the Company. Currently the committee always applies the review conducted by the Department of Public Enterprises in respect of executive and non-executive directors' remuneration.

The function of the committee includes, amongst others:

- Assessing and reviewing remuneration policies, employee short-term and long-term incentive scheme;
- Approving remuneration of executive directors; and
- Recommending fees for non-executive directors.

### Short-term incentive scheme

All permanent employees participate in the short-term incentive scheme which rewards the achievement of predetermined performance targets based on return on revenue on an annual basis. Further, the performance measurement is also based on each employee's area of responsibility and overall performance.

### Long-term incentive scheme

The first payment of long-term incentive was paid to key employees as identified in accordance with Company policy on 1 April 2009.

In line with market practices and to ensure the achievement of strategic goals, South African Express implemented the long-term incentive scheme (LTI) as a three year rolling incentive scheme for selected employees.

Key employees qualify by achieving above average performance levels on their annual performance reviews. Participants benefit from the programme after three years provided that they have sustained performance over the three year period.

This programme aims to attract and retain talented employees for the continuous growth of the organisation.

### Compensation and analysis

Executive directors do not have fixed term service contracts. All non-executive directors are subject to retirement by rotation and re-election by the shareholder at least once every three years in accordance with the protocol on corporate governance.

### Director's remuneration

The remuneration of the executive directors comprises:

- Annual guaranteed package
- Performance-based incentive
- Long term incentive

Basic salaries are set at competitive market rates in terms of the State-owned Entities' Remuneration Guidelines and are subject to annual review. The performance of the CEO was assessed by the Human Resources and Remuneration Committee and the Chairperson of the Board. Financial targets are set for the Company by the Board and shareholder and these targets must be achieved before any incentive payments made to the executive directors.

The reward consequences of executive directors and the general staff are as far as possible aligned to and influenced by the interest of the shareholder, performance of the Company and employees' overall contribution towards the growth of the Company.

The full details are provided in a table below in this report.

### Executive directors' and senior management emolument

#### Executive guaranteed remuneration

Name	Salary	Post retirement benefit funds contributions	Other contributions	Total 2009
S Mzimela	R1,887,305.88	R237,968.52	R171.00	R2,125,445.40
S Zulu	R1,270,664.40	R142,374.24	R38,583.48	R1,451,622.12
A Malola-Phiri	R1,086,540.03	R83,617.25	R30,213.60	R1,200,370.88
I Ntshanga	R1,021,265.10	R 118,457.31	R32,101.98	R1,171,824.39

#### Performance bonus

Name	STI	LTI	Total 2009
S Mzimela	R1,508,777.00	R1,267,372.00	R2,776,149.00
S Zulu	R786,623.00	R0.00	R786,623.00
A Malola-Phiri	R566,280.00	R0.00	R566,280.00
I Ntshanga	R462,000.00	R293,190.00	R755,190.00

### Directors' emoluments

Non-executive directors received retainer fees for their services as directors and for serving on Board subcommittees in accordance with the remuneration guideline.

#### Non-executive directors' emolument

Director	Retainer fee
L Boyle	R613,434.00
E Bunyenyezi	R186,149.75
B Christodoulou	R269,473.50
N Madalane	R204,105.00
S Nicolaou	R181,092.00
B Ssamula	R186,092.50
G van Heerden	R178,592.00
M Vuso	R241,756.75
B Mohale	R206,253.00
<b>Total paid for the year under review</b>	<b>R2,266,948.50</b>

### Safety, Health and Environmental Committee

The Safety, Health and Environmental Committee (SHC) consists of two non-executive directors and one executive director. The Company's SHE Executive Manager attends all committee meetings. The committee met three times for the year under review.

Name	6 May 08	20 Oct 08	17 Feb 09
C Christodoulou (chairperson)	Present	Present	Present
G van Heerden	Present	Present	Present
S Mzimela	Present	Present	Present
P Mashaba (EM: SSQ)	Present	Present	Present

The committee formally adopted its mandate for the year under review. This mandate establishes and communicates the Company's policy concerning the protection of the health and safety of the Company's employees, clients and other persons affected by the Company's business activities and the reduction of environmental pollution with respect to the Company's business activities and operations.

- Ensure that the management of safety, health and the environment in the Company is aligned with the overall business strategy of the Company and is geared towards compliance and fulfilment of its commitments and obligations to these strategies.
- 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).
- Monitor the Company's safety, health and environmental performance, progress and continuous improvement.
- 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.

The Company established and maintained constructive, proactive and informed relationships with all stakeholders. The South African Express management is committed to identify, assess and reduce the safety, health and environmental impact of activities performed by employees, contractors and suppliers. Safety remains the first priority and core value of the organisation.

Rigorous adherence to both national and international safety standards to ensure safe air travel remains in tact.

This is done by ensuring that the safety, health and environmental management form an integral part of the operations. Management continue to strive to meet the expectations and requirements of all stakeholders through monitoring and managing the safety, health and environmental performance using an integrated and effective management system.

The committee believes that all employees and everyone associated with the organisation have an important role to play in achieving the safety, health and environmental objectives and targets.

To this end the Company is committed to:

- Establishing clear accountability for safety, health and environmental performance;
- Implement effective waste and energy management principles and cleaner technology alternatives throughout the organisation;
- Building capacity among the employees to identify, report and act proactively on opportunities to minimise environmental impacts; and
- Comply with environmental legislation and other requirements to which South African Express subscribes that enables it to identify and implement resource optimisation strategies and technology improvements to achieve a level of safety, health and environmental performance that meets or surpasses the requirements for regulatory compliance.

## COMPANY SECRETARY'S STATEMENT



George Mothema  
Company Secretary  
Johannesburg

I hereby confirm that in terms of section 268G(d) of the Companies Act, 61 of 1973, to the best of my knowledge and belief, South African Express has lodged with the Registrar of Companies all such returns for the year ended 31 March 2009.

## INDEPENDENT AUDITORS' REPORT

We have audited the annual financial statements of South African Express Airways (Proprietary) Limited, which comprise the directors' report, the balance sheet as at 31 March 2009, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 51 to 66.

### Directors' responsibility for the financial statements

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

### Auditors' 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 of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 the directors, 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.

### Opinion

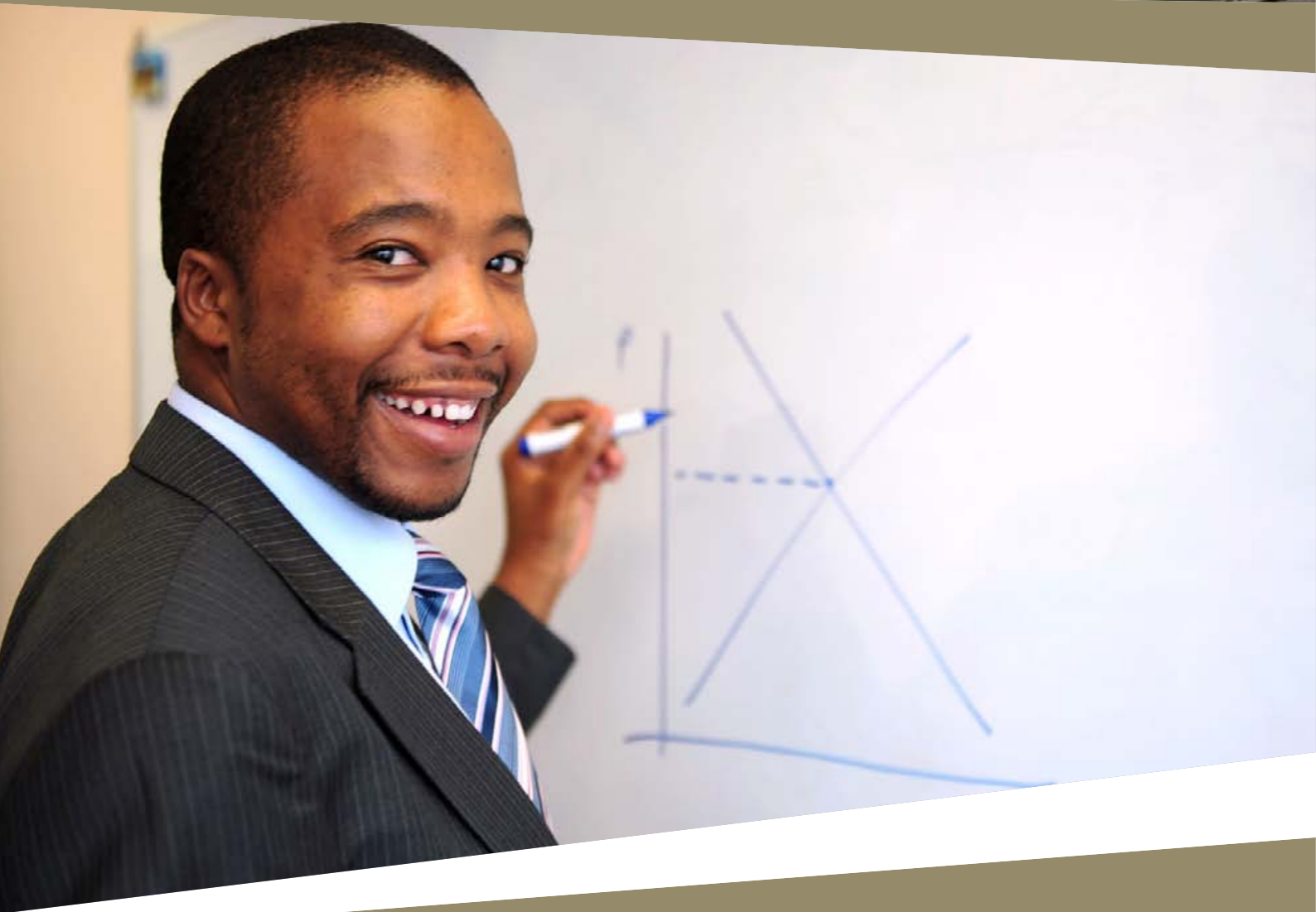
In our opinion, financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, as amended.

Mitesh Patel  
Nkonki Inc.

Chartered Accountants  
(South Africa)

Registered Auditor and  
Accountant

23 April 2009



## Section 6. FINANCIAL STATEMENTS

### DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, 1973 and the Public Finance Management Act, 1999, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 31 March 2010 and, in the light of this review and the current financial position, they are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future.

LG Boyle

SP Mzimela

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 page 43.

The annual financial statements set out on pages 44 to 67, which have been prepared on the going-concern basis, subject to no material changes to the present financial status, were approved by the Board on 21 April 2009 and were signed on its behalf by LG Boyle and SP Mzimela.



## Directors' report

The directors submit their report for the year ended 31 March 2009.

### 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.

Net profit of the Company was R235,383,561 (2008: profit R197,020,974).

### 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. Post-balance sheet events

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

### 4. Accounting policies

The following International Financial Reporting Standards were applied prior to the commencement dates in the current year:

IAS 1 – Presentation of Financial Statements

The impact on the results of the Company in adopting the above policies is reflected in the presentation to the annual financial statements.

### 5. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the Company during the year under review. Ownership changed from Transnet Limited (ultimate holding company), SAAH Holdings (Proprietary) Limited (holding company) to the Department of Public Enterprises, in accordance with the bill passed in parliament.

### 6. Borrowing limitations

In terms of the articles of association of the Company, the directors may exercise all the powers of the Company to borrow money, subject to the approval in terms of the Public Finance Management Act, 1999.

### 7. Directors

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

LG Boyle  
SP Mzimela  
E Bunyenyenzi  
C Christodoulou  
NA Madalane  
BF Mohale  
S Nicolaou  
B Ssamula  
G van Heerden  
MJ Vuso  
SS Zulu

### 8. Company Secretary

The Company secretary of the Company is GN Mothema.

### 9. Holding company

The Company's sole shareholder is the Department of Public Enterprises, South African Government.

### 10. Auditors

Nkonki Inc. were the auditors for the year under review.

## Statement of financial position

Figures in rand	Note	2009	2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	829,224,417	775,128,265
Intangible assets	4	3,196,616	1,853,989
Other financial assets	6	55,000,000	–
		<b>887,421,033</b>	<b>776,982,254</b>
<b>Current assets</b>			
Inventories	8	77,882,304	43,855,734
Other financial assets	6	9,981,469	–
Trade and other receivables	9	397,625,353	279,685,386
Cash and cash equivalents	10	80,646,821	8,477,041
		<b>566,135,947</b>	<b>332,018,161</b>
<b>Total assets</b>		<b>1,453,556,980</b>	<b>1,109,000,415</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	11	56,837,518	56,837,518
Reserves	12	801,954,972	–
Retained income		152,394,129	(82,989,432)
		<b>1,011,186,619</b>	<b>(26,151,914)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from group companies	5	–	34,865,095
Long-term borrowings	13	28,675,563	68,874,426
Deferred tax	7	121,829,120	40,161,821
Neutrality advance	14	67,782,492	34,800,000
		<b>218,287,175</b>	<b>178,701,342</b>
<b>Current liabilities</b>			
Long-term borrowings	13	39,323,923	144,911,489
Trade and other payables	15	183,756,473	303,998,740
Provisions		1,002,790	3,613,513
Bank overdraft	10	–	503,927,245
		<b>224,083,186</b>	<b>956,450,987</b>
<b>Total liabilities</b>		<b>442,370,361</b>	<b>1,135,152,329</b>
<b>Total equity and liabilities</b>		<b>1,453,556,980</b>	<b>1,109,000,415</b>

## Statement of comprehensive income

Figures in rand	Note	2009	2008
Revenue	16	1,424,247,807	1,326,700,929
Cost of sales		(207,186,672)	(156,401,725)
<b>Gross profit</b>		<b>1,217,061,135</b>	<b>1,170,299,204</b>
Other income		430,400,185	200,557,746
Operating expenses		(1,272,256,365)	(1,021,582,851)
<b>Operating profit</b>	17	<b>375,204,955</b>	<b>349,274,099</b>
Investment revenue		4,051	-
Fair value adjustments		3,222,284	1,450,318
Finance costs		(65,413,891)	(84,475,235)
<b>Profit before taxation</b>		<b>313,017,399</b>	<b>266,249,182</b>
Taxation	18	(77,633,838)	(69,228,208)
<b>Profit for the year</b>		<b>235,383,561</b>	<b>197,020,974</b>

## Statement of changes in equity

Figures in rand	Share capital	Share premium	Total share capital	Convertible instruments reserve	Retained income	Total equity
Opening balance as previously reported	102	56,837,416	56,837,518	-	(228,241,604)	(171,404,086)
Adjustments						
Prior period adjustments	-	-	-	-	(51,768,802)	(51,768,802)
<b>Balance at 1 April 2007 as restated</b>	<b>102</b>	<b>56,837,416</b>	<b>56,837,518</b>	<b>-</b>	<b>(280,010,406)</b>	<b>(223,172,888)</b>
Changes in equity						
Profit for the year	-	-	-	-	197,020,974	197,020,974
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>197,020,974</b>	<b>197,020,974</b>
Opening balance as previously reported	102	56,837,416	56,837,518	-	(27,187,169)	29,650,349
Adjustments						
Prior period adjustments	-	-	-	-	(55,802,263)	(55,802,263)
<b>Balance at 1 April 2008 as restated</b>	<b>102</b>	<b>56,837,416</b>	<b>56,837,518</b>	<b>-</b>	<b>(82,989,432)</b>	<b>(26,151,914)</b>
Changes in equity						
Profit for the year	-	-	-	-	235,383,561	235,383,561
Convertible loan	-	-	-	801,954,972	-	801,954,972
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>801,954,972</b>	<b>235,383,561</b>	<b>1,037,338,533</b>
<b>Balance at 31 March 2009</b>	<b>102</b>	<b>56,837,416</b>	<b>56,837,518</b>	<b>801,954,972</b>	<b>152,394,129</b>	<b>1,011,186,619</b>
Notes	11	11	11	12		

## Statement of cash flows

Figures in rand	Note	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		1,854,647,991	1,527,258,676
Cash paid to suppliers and employees		(1,659,984,681)	(1,123,783,491)
Cash generated from operations	21	194,663,310	403,475,185
Interest income		4,051	-
Finance costs		(65,413,891)	(84,475,235)
<b>Net cash inflow from operating activities</b>		<b>129,253,470</b>	<b>318,999,950</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3	(149,352,940)	(70,116,380)
Sale of property, plant and equipment	3	3,491,608	-
Loans to group companies repaid		(34,865,095)	(2,399,143)
Purchase of financial assets		(55,124,582)	-
Sale of financial assets		(6,456,471)	2,786,065
Movement in convertible loans		801,954,972	-
<b>Net cash outflow from investing activities</b>		<b>559,647,492</b>	<b>(69,729,458)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term borrowings		(145,786,429)	(240,793,452)
Movement in neutrality advance		32,982,492	-
<b>Net cash outflow from financing activities</b>		<b>(112,803,937)</b>	<b>(240,793,452)</b>
<b>Net increase in cash and cash equivalents</b>		<b>576,097,025</b>	<b>8,477,041</b>
Cash and cash equivalents at beginning of period		(495,450,204)	(503,927,245)
<b>Cash and cash equivalents at the end of the period</b>	10	<b>80,646,821</b>	<b>(495,450,204)</b>

## Accounting policies

### 1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa 1973 and the Public Finance Management Act 1999. The annual financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

#### 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.

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

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

Item	Average useful life
<b>Buildings</b>	<b>20 years</b>
<b>Plant and machinery</b>	<b>5 years</b>
<b>Furniture and fixtures</b>	<b>3-5 years</b>
<b>Motor vehicles</b>	<b>5 years</b>
<b>Office equipment</b>	<b>10 years</b>
<b>IT equipment</b>	<b>3-5 years</b>
<b>Containers</b>	<b>20 years</b>
<b>Aircraft</b>	
• Airframes	20 years
• Interior seats	8 years
• Engines overhauls	7 years
• Engines	20 years
• Rotables	15 years
• C-Checks	2 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

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 shall be depreciated separately.

The depreciation charge for each period is recognised in the income statement unless it is included in the carrying amount of another asset.

Aircraft modifications are capitalised only to the extent that they materially improve the value of the aircraft from which further future economic benefits are expected to flow. Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income.

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.

## Accounting policies (continued)

### 1.2 Capital work in progress

Capital work in progress relates to buyer finished equipment (BFE) and predelivery payments related to aircraft still undergoing C-Checks or engine overhauls. These items are cleared as soon as the work order has been completed. The items are then capitalised to the specific asset.

### 1.3 Intangible assets

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.

### 1.4 Financial instruments

#### Initial recognition and measurement

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments.

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

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

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

#### Fair value determination

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

#### Loans to (from) group companies

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

Loans from group companies are classified as financial liabilities measured at amortised cost.

#### 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 uncollectible, 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.

### 1.5 Tax

#### 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 which 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 and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits 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 balance sheet date.

#### 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, directly in equity, or
- a business combination.

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

#### Finance leases – lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

#### Operating leases – lessee

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

### 1.7 Inventories

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

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

### 1.8 Impairment of assets

The Company assesses at each balance sheet date 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.

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.

## Accounting policies (continued)

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.

### 1.9 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.

### 1.10 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.

### 1.11 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax. Revenue comprises all airline-related revenue earned. Revenue arising from the provision of transportation services to passengers is recognised on an accrual basis in the period in which the services are rendered. A liability, however, exists for the period between receipt of cash for the ticket and delivering the service. This is referred to as the Air Traffic Liability (ATL). Tickets are valid for a period of six months, for domestic, and 12 months, for international, from date of flight, should the flight be missed. There are situations, such as promotions, where this does not apply. Once these tickets have expired, they can be recognised as revenue in the form of Unutilised Ticket Liability (UTL).

South African Express receives UTL information from SAA on a monthly basis. SAA's policy is however to recognise UTL 18 months after flight date. Since a very small portion of South African Express' flights are regional, this period is excessive. UTL is recognised 12 months after flight date. An accrual will be made based on 5% actual receipts from SAA for revenue for the period exactly 12 months prior.

### 1.12 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 each balance sheet date:

- 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.

### 2. New statements introduced

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- AS 19 – The Limit on a Defined Asset, Minimum Funding Requirements and their Interaction
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 12 – Service Concession Arrangements

## Notes to the annual financial statements

### 3. Property, plant and equipment

Figures in Rand	2009			2008		
	Cost/valuation	Accumulated depreciation	Carrying value	Cost/valuation	Accumulated depreciation	Carrying value
Buildings	1,083,286	(336,689)	746,597	1,003,893	(309,082)	694,811
Plant and machinery	23,840,052	(15,150,966)	8,689,086	30,027,043	(20,002,322)	10,024,721
Motor vehicles	3,340,761	(2,689,757)	651,004	4,030,201	(3,198,098)	832,103
Aircraft	1,231,985,822	(450,862,470)	781,123,352	1,089,447,782	(362,449,077)	726,998,705
Containers	5,650	(4,931)	719	5,650	(4,840)	810
Capital work in progress	38,013,659	–	38,013,659	36,577,115	–	36,577,115
<b>Total</b>	<b>1,298,269,230</b>	<b>(469,044,813)</b>	<b>829,224,417</b>	<b>1,161,091,684</b>	<b>(385,963,419)</b>	<b>775,128,265</b>

#### Reconciliation of property, plant and equipment – 2009

Figures in rand	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	694,811	79,393	–	–	(27,607)	746,597
Plant and machinery	10,024,721	2,916,258	(3,339,914)	2,231,011	(3,142,990)	8,689,086
Motor vehicles	832,103	–	–	–	(181,099)	651,004
Aircraft	726,998,705	–	(151,694)	142,689,734	(88,413,393)	781,123,352
Containers	810	–	–	–	(91)	719
Capital work in progress	36,577,115	146,357,289	–	(144,920,745)	–	38,013,659
<b>Total</b>	<b>775,128,265</b>	<b>149,352,940</b>	<b>(3,491,608)</b>	<b>–</b>	<b>(91,765,180)</b>	<b>829,224,417</b>

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the Company.

**4. Intangible assets**

Figures in rand	2009			2008		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Intangible assets under development	3,196,616	-	3,196,616	1,853,989	-	1,853,989

**Reconciliation of intangible assets – 2009**

Figures in rand	Opening balance	Transfers	Total
Intangible assets under development	1,853,989	1,342,627	3,196,616

**Details of valuation**

These assumptions are based on current market conditions and assets are carried at cost.

**Other information**

The asset relates to an airline specific system which is still under development and has not been amortised.

**5. Loans to (from) group companies****Holding company**

Figures in rand	2009	2008
Transnet Limited	-	(34,865,095)

This loan is by intent of a long-term nature and is interest-free. This loan was repaid during the current financial year.

**6. Other financial assets**

Figures in rand	2009	2008
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**Held to maturity**

First National Bank call account	9,981,469	-
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This investment which matures on 10 April 2009, is held at a interest rate of 9% per annum.

Standard Bank Investment	55,000,000	-
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This investment is held for a fixed term of six years, at a revolving fixed rate of JIBAR + 110 basis points.

	64,981,469	-
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**Non-current assets**

Held to maturity	55,000,000	-
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**Current assets**

Held to maturity	9,981,469	-
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	64,981,469	-
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**7. Deferred tax**

Figures in rand	2009	2008
<b>Deferred tax liability</b>		
Tax losses available for set off against future taxable income	(121,829,120)	(40,161,821)
<b>Reconciliation of deferred tax (liability)/asset</b>		
At beginning of the year	(40,161,821)	(36,128,360)
Reduction due to rate change	-	(1,575,881)
Decrease in tax losses available for set off against future taxable income	(81,667,299)	(12,362,590)
Prior period adjustments	-	9,905,010
	(121,829,120)	(40,161,821)

**8. Inventories**

Figures in rand	2009	2008
Maintenance material	57,770,494	43,855,734
Rotables	20,111,810	-
	77,882,304	43,855,734

**9. Trade and other receivables**

Figures in rand	2009	2008
Deposits	27,124,018	15,013,284
Employee costs in advance	9,288,172	59,771
Other receivables	126,465	44,096
Prepayments	13,120,905	9,897,226
Trade receivables	293,169,875	230,511,705
VAT	54,795,918	24,159,304
	397,625,353	279,685,386

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than three months past due are not considered to be impaired. At 31 March 2009, R3,301,786 (2008: R16,126,399) were past due but not impaired.

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

Figures in rand	2009	2008
1 month past due	675,800	119,929
2 months past due	103,843	112,733
3 months past due	2,522,144	15,893,737

## 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in rand	2009	2008
Bank balances	80,579,683	8,397,214
Bank overdraft	–	(503,927,245)
Cash on hand	67,138	79,827
	<b>80,646,821</b>	<b>(495,450,204)</b>
Current assets	80,646,821	8,477,041
Current liabilities	–	(503,927,245)
	<b>80,646,821</b>	<b>(495,450,204)</b>

The overdraft of the Company was settled during the finalisation of the sale of shares agreement in accordance with the terms and conditions set out within the agreement.

## 11. Share capital

Figures in rand	2009	2008
<b>Authorised</b>		
1,000 ordinary A Type shares of R1 each	1,000	1,000
<b>Issued</b>		
102 ordinary A Type Shares of R1 each	102	102
Share premium	56,837,416	56,837,416
	<b>56,837,518</b>	<b>56,837,518</b>

## 12. Convertible instruments reserve

Capital reserves comprise of a shareholder loan (Department of Public Enterprises) which was advanced to South African Express in the form of R445 million cash and a R356 million loan which was transferred from the former shareholder (Transnet), 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.

Figures in rand	2009	2008
Shareholder's loan	801,954,972	–

## 13. Long-term borrowings

Figures in rand	2009	2008
<b>Held at amortised cost</b>		
Wesbank Limited	–	18,264
This loan represents an instalment sale agreement repayable over 60 months with an average monthly instalments of R5,000 and bearing interest at prime less 2% per annum. This loan was fully repaid during the current financial period.		
Bombardier loan	257,767	1,607,685
This loan represents consignment stock and is of a long-term nature and is interest-free.		
Standard Bank Limited	–	107,507,084
These loans represent conditional sale agreements repayable in monthly instalments of R5,698,042 on average and bearing interest at an average rate 13.55% per annum. These loans were fully repaid during the current financial period.		
Nedbank Limited	67,741,719	104,652,882
This loan represents conditional sale agreements repayable in quarterly instalments at an average of R14 million and bearing interest at an average rate of 13.55% per annum.		
	<b>67,999,486</b>	<b>213,785,915</b>
<b>Non-current liabilities</b>		
At amortised cost	28,675,563	68,874,426
<b>Current liabilities</b>		
At amortised cost	39,323,923	144,911,489
	<b>67,999,486</b>	<b>213,785,915</b>

## 14. Neutrality advance

The determination of the prepayment to South African Express is adjusted quarterly to provide cash neutrality to both South African Airways and South African Express to compensate the Company for the loss of interest caused by the 45 days delay in receiving revenue.

**15. Trade and other payables**

Figures in rand	2009	2008
Accrued interest	3,731,914	1,931,914
Accrued bonus	27,288,000	41,551,994
Accrued disbursements	66,216,254	83,095,315
Accrued leave pay	9,416,227	6,549,510
Accrued long-term incentive	13,828,000	-
Accrued salaries and wages	(2,425,832)	2,948,982
Deposits received	-	123,889
Passenger service charge taxation	14,885,162	20,822,713
Trade payables	50,816,748	146,974,423
	<b>183,756,473</b>	<b>303,998,740</b>

**16. Revenue**

Figures in rand	2009	2008
Passenger	1,408,471,150	1,311,338,327
Cargo	15,776,657	15,362,602
	<b>1,424,247,807</b>	<b>1,326,700,929</b>

**17. Operating profit**

Operating profit for the year is stated after accounting for the following:

Figures in rand	2009	2008
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	6,549,070	5,042,332
Motor vehicles		
• Contractual amounts	416,314	325,725
Equipment		
• Contractual amounts	3,305,549	5,087,707
Lease rentals on operating lease aircraft		
• Contractual amounts	139,571,550	121,830,018
	<b>149,842,483</b>	<b>132,285,782</b>
Profit (loss) on sale of other financial assets	178,132	(131,328)
Depreciation on property, plant and equipment	91,765,179	61,104,950
Employee costs	291,666,935	236,155,964

**18. Taxation**

Figures in rand	2009	2008
<b>Major components of the tax expense</b>		
<b>Deferred</b>		
Other deferred tax	77,633,838	69,228,208
<b>Reconciliation of the tax expense</b>		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate (%)	28.00	29.00
Change in tax rate (%)	-	(0.80)
Temporary differences (%)	3.70	1.05
	<b>31.70</b>	<b>29.25</b>

The estimated tax loss available for set off against future taxable income is R295,663,282 (2008: R397,714,960).

**19. Auditors' remuneration**

Figures in rand	2009	2008
External auditors	1,533,112	2,091,060

**20. Operating lease**

Operating lease requirements for the business relates to the leases from aircraft lessors. These leases are dollar denominated and were converted using the average rate at year-end being R9.41 : US\$.

Figures in rand	2009	2008
<b>Details of commitments</b>		
Payable within 1 year	121,787,881	95,478,499
Payable within 2-5 years	334,709,523	430,188,022
	<b>456,497,404</b>	<b>525,666,521</b>



**21. Cash generated from operations**

Figures in rand	2009	2008
Profit before taxation	313,017,399	266,249,182
<b>Adjustments for:</b>		
Depreciation and amortisation	91,765,179	61,104,950
(Profit) loss on sale of assets	(178,132)	131,328
Interest received	(4,051)	-
Finance costs	65,413,891	84,475,235
Fair value adjustments	(3,222,284)	(1,450,318)
Movements in provisions	(2,610,723)	1,368,647
Other non-cash items	2,690,835	38,779,879
<b>Changes in working capital:</b>		
Inventories	(34,026,570)	(4,397,039)
Trade and other receivables	(117,939,967)	(31,327,356)
Trade and other payables	(120,242,267)	(11,459,323)
	<b>194,663,310</b>	<b>403,475,185</b>

**22. Contingencies**

Passenger tickets are sold under SAA IATA code 083 and all cash flow comes to SAA. SAA must refund where requested and pay out to interline partners participating in itinerary of passenger in all cases and not South African Express. SAA manages the revenue accounting process on their behalf and has paid a neutrality advance to South African Express to compensate them for cash flow that SAA received in advance before the monthly pay-out of flown revenue to South African Express on their rendering of the transport service to passengers. South African Express ATL liability is incorporated in the SAA ATL liability as per the SAA annual financial statements.

Air traffic liability exists for the period between receipt of cash for the ticket and delivering service. This liability is not included in the financials due to fact that the Company is not able to determine the value of the liability. The Company, however, recognises that the obligation to deliver the service to the client rests with South African Express.

**23. Related parties****Relationships**

Parent of shareholder	Government of South Africa
Shareholder	Department of Public Enterprises
Subsidiary of shareholder	South African Airways
Subsidiary of shareholder	Transnet Limited
Subsidiary of shareholder	Eskom Limited
Subsidiary of shareholder	Denel (Proprietary) Limited

Figures in rand	2009	2008
<b>Related party balances</b>		
<b>Related party transactions</b>		
<b>Purchases from related parties</b>		
Airports Company of South Africa	103,813,788	87,789,558
Equity Aviation	2,052,993	20,406,310
South African Airways	765,900,307	505,371,996
South African Weather Service	4,147,789	3,483,743
South African Receiver of Revenue	26,348,040	1,840,680
Telkom Limited	379,400	299,670
Transnet Limited	1,619,313	3,945,521
Transtel	1,862,628	1,484,208
<b>Sales to related parties</b>		
Airports Company of South Africa	657,943	365,170
Denel (Proprietary) Limited	520,040	170,894
Department of Public Enterprises	42,584	28,066
Eskom Limited	8,025,968	2,752,493
Other departments of Government	36,030,545	16,780,734
South African Receiver of Revenue	1,785,939	2,198,086
Telkom Limited	3,652,958	2,057,856
Transnet Limited	15,433,654	5,841,318

## 24. Prior period errors

A duplication in the provision of bonuses was detected which resulted in an error in the calculation of deferred tax; a correction was passed to opening retained earnings.

A correction needed to be passed to opening retained earnings relating to 2007 to correct a cut-off error experienced during the years preceding this financial year.

Figures in rand	Effect of prior year adjustment
Provisions	22,000,000
Deferred tax	(12,709,318)
Accumulated profit or loss	(9,290,682)

## 25. Risk 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.

### 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 and trade debtors. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise mostly of Government institutions as the airline does not sell tickets on credit. Management evaluates credit risk relating to customers on an ongoing basis.

## 26. 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.

## 27. Post-balance sheet events

There were no subsequent events impacting materially on the business.

## Detailed statement of comprehensive income

Figures in rand	Note	2009	2008
<b>REVENUE</b>			
Pax revenue		1,408,471,150	1,311,338,327
Cargo revenue		15,776,657	15,362,602
	16	<b>1,424,247,807</b>	<b>1,326,700,929</b>
<b>COST OF SALES</b>			
		<b>(207,186,672)</b>	<b>(156,401,725)</b>
<b>Gross profit</b>			
		<b>1,217,061,135</b>	<b>1,170,299,204</b>
<b>OTHER INCOME</b>			
Discount received		4,766	-
Fair value adjustments		3,222,284	1,450,318
Gains on disposal of assets		178,132	-
Interest received		4,051	-
Other operating revenue		385,329,104	183,447,972
Profit on exchange differences		44,691,298	2,246,504
Revenue tours		28,699	361,787
Wet-lease income		168,186	14,501,483
		<b>433,626,520</b>	<b>202,008,064</b>
<b>OPERATING EXPENSES</b>			
Accounting fees		(9,844,052)	(10,091,071)
Administration and management fees		(1,185,906)	(174,985)
Advertising		(1,668,040)	(3,371,565)
Auditors' remuneration	19	(1,959,722)	(3,634,275)
Bad debts		-	(1,271,171)
Bank charges		(1,492,548)	(1,936,431)
Cleaning		(5,023,439)	(3,148,225)
Commission paid		(51,983,818)	(51,940,109)
Consulting and professional fees		(4,694,259)	(4,639,586)
Consumables		(278,224)	(107,386)
Depreciation, amortisation and impairments		(91,765,179)	(61,104,950)
Discount allowed		(3,314)	(1)
Donations		(25,519)	(992)
Employee costs		(291,666,935)	(236,155,964)
Entertainment		(887,288)	(929,350)
Fines and penalties		-	(13,534)
Flowers		(26,739)	(23,027)
Furniture removal and packaging		(482,555)	(518,791)
Hotel and accommodation		(10,995,972)	(7,623,362)
Insurance		(16,153,001)	(10,975,263)

Figures in rand	Note	2009	2008
Lease rentals on operating lease		(149,842,483)	(132,285,782)
Legal expenses		(870,233)	(759,648)
Loss on disposal of assets		-	(131,328)
Loss on exchange differences		-	(29,448,891)
Materials		(27,366,697)	(33,452,891)
Meals and refreshments		(40,344,695)	(33,914,237)
Medical expenses		(289,111)	(169,552)
Motor vehicle expenses		(1,002,437)	(547,571)
Network charges		(44,187,468)	(51,098,914)
Office and capital workshop < R1,000		(571,707)	(787,343)
Other expenses		3,203	-
Petrol and oil		(430,869,606)	(286,876,227)
Placement fees		(501,785)	(878,069)
Printing and stationery		(3,072,650)	(2,683,804)
Repairs and maintenance		(4,508,029)	(2,080,561)
Royalties and license fees		(951,226)	(1,027,756)
Security		(91,257)	(96,867)
Security		(431,603)	(306,373)
Service orders		(18,525,639)	(9,943,815)
Software expenses		(1,092,497)	(2,105,532)
Staff welfare		(794,477)	(928,838)
Subscriptions		(1,951,488)	(185,241)
Telephone and fax		(2,864,320)	(2,709,261)
Training		(38,554,939)	(19,914,093)
Transport and freight		(12,577,143)	(11,120,527)
Travel – local		(50,817)	(118,380)
Utilities		(362,411)	(112,140)
Visas, passports and work permits		(448,340)	(239,172)
		<b>(1,272,256,365)</b>	<b>(1,021,582,851)</b>
<b>Operating profit</b>	17	<b>378,431,290</b>	<b>350,724,417</b>
Finance costs		(65,413,891)	(84,475,235)
<b>Profit before taxation</b>			
		<b>313,017,399</b>	<b>266,249,182</b>
Taxation	18	<b>77,633,838</b>	<b>69,228,208</b>
<b>Profit for the year attributable to the shareholder</b>			
		<b>235,383,561</b>	<b>197,020,974</b>

# General information.

## South African Express Airways (Proprietary) Limited

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Aviation
<b>Registered office</b>	4th Floor Offices, West Wing, Pier Development, OR Tambo International Airport 1627
<b>Business address</b>	4th Floor Offices, West Wing, Pier Development, OR Tambo International Airport 1627
<b>Postal address</b>	PO Box 101 OR Tambo International Airport 1627
<b>Website</b>	<a href="http://www.flysax.com">www.flysax.com</a>
<b>Holding company</b>	South African Airline Holdings (Proprietary) Limited incorporated in accordance with the Companies Act of the Republic of South Africa
<b>Department of Public Enterprises</b>	Sole holding company incorporated in accordance with the Companies Act of the Republic of South Africa
<b>Auditors</b>	APF Incorporated Chartered Accountants (SA) Registered auditors
<b>Company registration number</b>	1990/007412/007

