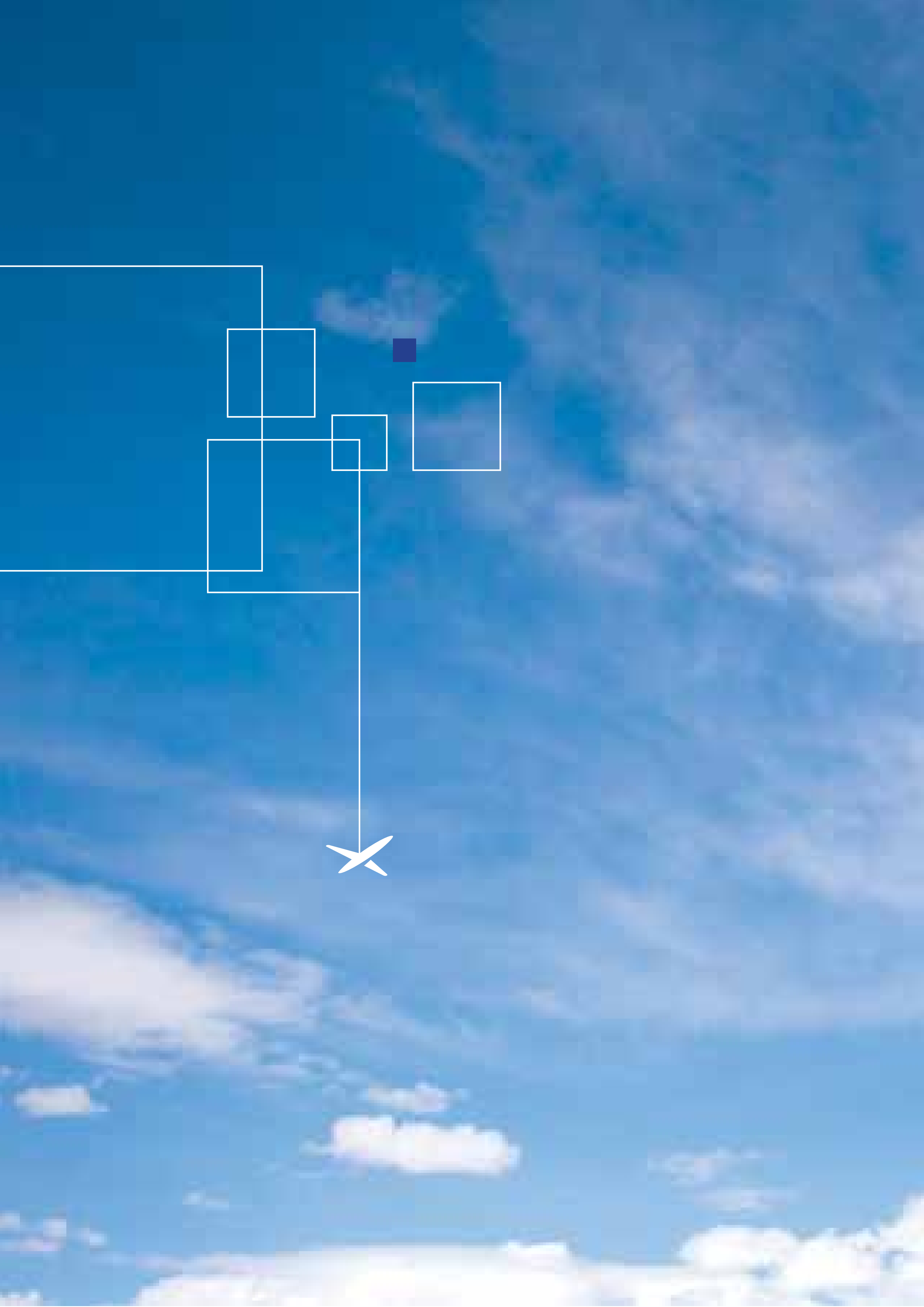
ANNUAL REPORT 2012

We fly for you

sa express

we fly for you



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About SA Express

"We fly for you"

SA Express is an airline operating primary and secondary hubs between domestic and regional destinations within Southern Africa.

Our objective to improve intra-Africa travel is in line with South Africa's mandate to increase aviation's contribution to sustainable economic growth and job creation.

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

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

Our purpose is to be

An integrated, sustainable regional airline connecting secondary and main airports

Our vision is to be

A sustainable world-class Regional airline with an extensive footprint in Africa

OUR Core Values

Safety First

Rigorous adherence to national and international standards to ensure safe and comfortable air travel.

Performance driven

Implementation of a well-defined strategy and clear articulated corporate and individual objectives to meet performance targets and ensure our growth.

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

Taking ownership of both responsibility and follow-through, with a commitment to 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.

About SA Express

"We Fly for you" (continued)

Strategic Overview

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

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

Overview

REVENUE GROWTH FROM PRIOR YEAR
22.89%

PASSENGERS CARRIED INCREASED BY
12%

LOAD FACTOR REMAINED STABLE AT
61%

FLEET OPERATED (UNITS)
24

MARKET SHARE (DOMESTIC) INCREASED TO
11%

RASK
1.04c

CASK
0.89c

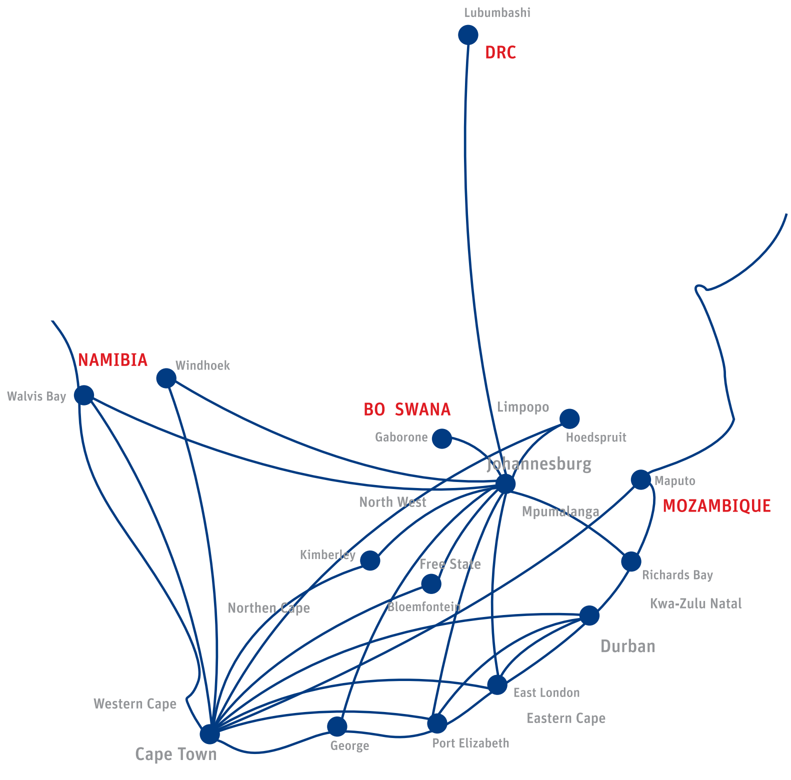
OTP INCREASED TO
88%

GEARING RATIO DECLINED TO
192%

SA Express Route Network

TRAVEL ROUTES

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



Fleet Overview

SA EXPRESS AIRWAYS – FACTS AND FIGURES

Aircraft Type	CRJ	CRJ	DHC-8
Series Number	200	700	-400
Model	CL-600-2B19	CL-600-2C10	-402
Number of Aircraft in Fleet	10	5	9
General Arrangement Dimensions			
Length – metres	26.77	32.33	32.83
Span – metres	21.21	23.25	28.42
Height – metres	6.299	7.51	8.34
Operational Weight:			
Max. Taxi Weight	23 247 kg	34 133 kg	29347
Max. Take-off Weight	23 133 kg	33 995 kg	29257
Max. Landing Weight	21 319 kg	30 391 kg	28009
Max. Zero Fuel Weight	19 958 kg	28 259 kg	25855
Dry Operating Weight	±14 470 kg	19 731 kg	±17755
Aircraft Category	D	C	B
Fuel Capacity	6585 kg	8 822 kg	5318
Number of Seats	50	70	74
Maximum Payload	5488 kg	8 528 kg	8100
Engine Model Take-off thrust	GE CF34-3B1	GE CF34-8CB1	PW150A
-Normal/Automatic Power Res	38.8/41.0 (kN)	55.2/60.0 (kN)	4580/5071 (shp)
-Normal/Automatic Power Res	8729/9220 (lbf)	12418/13489 (lbf)	
Performance			
Fuel consumption at normal cruise speed kg/hr	±1028kg/hr	±1477 kg/hr	±900 kg/hr
Cruise speed – Mach/Tas/km/hr	0.70/420/778	0.78/460/850	-/318/589
Range at full pax load - nm	950	1500	950

02 Chairperson’s Statement

Chairperson’s Statement

The delayed impact of the economic recession on the South African Economy was but one of the factors that business and aviation had to endure as passengers became less inclined to use air travel and more price sensitive.

In the midst of the challenging economic climate, airlines continued to suffer from pressures on profitability as a result of increasing fuel cost, with oil per barrel ranging from between USD 110 and USD 126 during the Financial Year 2011/2012. Regulated and Tariff price increases over the period resulted in higher fixed cost to operating airlines.

We witnessed the grounding of Velvet Sky, a domestic airline, which ceased its operation in March 2012. The short lived venture is attributable to the inability to control cost in the weakening domestic economic environment. Globally the airline industry is also under severe pressure characterised by profit losses for the reporting period.

SA Express remained focused on achieving its mandate of connecting secondary and primary domestic and regional hubs by providing a full-service offering to both passenger and cargo service markets. The core strategic objectives remained to increase revenues, improve efficiencies and expand the regional network.

The weakness in the internal control environment led to the withdrawal of the financial statements; this continues to be addressed. the Board and Management are focusing on the challenges identified.

Amid these challenges, SA Express has nonetheless continued to maintain its niche domestic and regional market share, increasing the revenue from its network and focusing on its reliability. The first phase of its fleet renewal strategy was implemented during the third quarter, with the acquisition of seven Q400 turbo props and the disposal of the Dash8-300s and two CRJ200s.The expansion of our network from Cape Town to Kimberley and Hoedspruit in the past year is testament to our quest in fulfilling our mandate to the Shareholder and South Africa.

We pride ourselves with the achievements accomplished and targets met per the Shareholder’s Compact which reflect the improvements from the prior period; these are projected through our Socio-Economic contribution and Corporate Citizenship in support of the Shareholder’s Developmental Policies and Objectives (New Growth Path and Broad-Based Black Economic Empowerment).

The airline is starting to harvest the fruits of our talent development interventions for apprentices, pilots, supervisors and management and as a SOC we remain focused and proud of our contribution to develop people and invest in future talent.

SA Express is grateful for the unwavering support of the Shareholder to all SOCs. The committed leadership of Minister Gigaba and Deputy Minister Martins enabled the airline to continue to execute its ambitions of becoming a sustainable regional airline.

Mabizela

A. Mabizela

03 CEO's Report

CEO's Report

Today millions of ordinary people rely on the services of airlines to connect them to family and friends, facilitate their business connections, enable them to experience new adventures and transport their commodities. With increasing competitive market conditions, SA Express entered into the 2011/12 financial year firmly aware that the flight plan of recovery from the 2008 recession and continued Eurozone sovereign debt crisis will impact the heart and loyalty of its customers.

As a regional airline, we were plagued by the same challenges affecting our competitors and the industry throughout the world; i.e. declining load factors and profit margins, as a result of reduced passenger demand and increased direct operating costs.

An IATA forecast outlining the projection for 2012 set out a slightly more optimistic view and as an airline, we were hopeful that the market conditions would dissipate in late 2011 and 2012. However the increasingly polarised nature of the industry continued with only with small growth in the Asian/ Middle Eastern markets into Africa.

The local operating environment became more competitive as more low cost carriers entered the market, weakening demand and cost increases, while consumer inflationary pressures increased price sensitivity.

In 2011/12 our strategic objectives were anchored on five core areas:

- Our Revenue
- Our Network
- Our Governance
- Our People and
- Our Business model

Focus was evident in optimisation of our capacity through a fleet renewal process in order to realize revenue. This was done by unlocking the growing revenue by unlocking the growing network to key regional destinations in order to offset weaker demand from Europe and the Americas.

SA Express committed itself to focusing on compliance and organisation-wide sustainability; attracting, retaining and investing in our people thereby creating "the best company to work for". Linked to this, we focused relentlessly on our business model and realising operational efficiencies, i.e. improving reliability, customer services and business processes. An improved customer service focus created customer loyalty and gained new customers through online channels and implementation of a sustainable Cargo Service.

How we faired

SA Express is a strong company focused on delivering excellent customer service, strengthening our balance sheet, growing revenue and promoting trade in the region. Our brand suffered reputational damage as a result of the withdrawal of the 2010/2011 financial statements as well as changes of the board and external auditors.

The sharp increase in costs above inflation and budget, the devaluations in the assets such as spares and aircraft, as well as the inability to recover the cost from our passengers, resulted in SA Express reporting a nett loss at year end. Areas of structural weaknesses in internal cost controls and the reporting framework were apparent during the course of this realignment. These challenges refocused the leadership's efforts on improving these deficiencies during 2012 onwards.

These challenges refocused the leadership's efforts on improving these deficiencies in 2012 onwards. To date, SA Express has:

1. The reinstatement 2012/11 financials
2. The forensic audit ordered by the Board found no fraudulent transactions
3. The audit ordered by the Shareholder and carried out by Auditor-General found accounting errors, but confirmed that no fraudulent transactions took place
4. We have changed the internal processes to streamline ans strengthen the systems to prevent recurrence of these issues.

SA Express is engaging our stakeholders constantly to keep them abreast with all our developments.

Though the financial year began with some uncertainty, the dedication and hard work of all SA Express employees turned this situation around. In the second quarter of the year there were evident improvements in internal business processes, reporting and controls. The organisation-wide focus on On Time Performance (OTP) began to bear fruit.

The third and fourth quarter saw the benefits of the fleet renewal catalyse performance and unlocked

CEO’s Report
(continued)

capacity constraints that had plagued the airline from 2009 onwards. Prominent features of the recovery included improvement in the revenue, customer services, On Time Performance and passenger handling; including baggage, cargo operations, sustainability policies and procedures.

SA Express was unable to meet the operating profit margin of 3% due to a substantial increase in direct operating costs, accentuated by high fuel costs and the impact of substantial increases in airport charges by both ACSA and ATNS.

Increasing our revenue and containing costs
Despite difficult market conditions, the fleet renewal process and aggressive Revenue Management achieved and exceeded the SA Express revenue growth target for the first time in five years. The year-on-year revenue position improved by 22.89% and we increased our passenger numbers by 12% as compared to the previous year. SA Express also grew its domestic market share to 11%.

The On Time Performance climbed to 88%, a 3% improvement on the previous year, but still below our target of 91%.

The acquisition of seven Q400 turboprops and disposal of five DH3 and two CRJ200 enabled SA Express to optimise the fleet gauge.

Customer Focus
By improving customer service, gaining loyalty and stimulating passenger growth; SA Express enhanced its customer-centric approach.

The airline built on the strides made in 2009 when the airline was rebranded and gave birth to the “We fly for you” service and company mantra.

In 2012, we continued focusing inwards to deepen and entrench the values into every business process and every decision.

Overall, SA Express was able to improve customer satisfaction by improving its responsiveness to its customers. The customer relations team managed to grow our business by more than 100% in this financial year with an evident increase in online customer base.

Sustainable Cargo operations
SA Express prioritised growing its cargo operations and revenue in 2011/12 to unlock alternative revenue streams for the airline. Despite certain limitations of the commercial agreement, cargo revenue grew by R2 million from R15 million in 2010/11 to R17 million and continues to contribute positively to the bottom line of SA Express, and it remains approximately 1% of total revenue.

During the last quarter a new agreement was reached with SAA. This migrated from the traditional 50:50 profit-share model to a value-based revenue model, thereby incentivising cargo performance and highlighting real sales and revenue value for the airline.

Improving and growing our network
SA Express made definitive changes to its domestic and regional network. Routes were added from the Cape Town hub to Hoedspruit and Kimberly whilst exiting the Johannesburg - Nelspruit route during the third quarter.

On 8 March 2012, President Jacob Zuma announced our plans to set up a hub in Durban as the platform for additional regional expansion into Zambia, Zimbabwe, Mozambique and DRC. SA Express is proud to be the first South African carrier to set up a hub in Durban.

Part of our expansion strategy was to ensure an operational base, including maintenance services, flight operations and cargo services, are established at the Dube Trade Port development by May 2012.

Durban is the ideal platform to grow our footprint into the SADC region as Durban is establishing itself as a lucrative leisure and business destination. It is also uniquely positioned as the pivotal point for intermodal transport of goods and services; a catalyst for trade growth in the SADC region.

Governance and Sustainability
The passing of the Consumer Protection Act (CPA) in April 2011 required a thorough analysis and realignment of the compliance and legislative framework. The airline was requested to appear before the National Consumer Commission on three occasions and reached an amicable settlement in one

case and the Commissioner ruled in our favour in the other cases.

The commitment of SA Express to sustainable growth renewed its focus on business practices and processes that align to our shareholder compact and deliver shareholder value. Both transformation and environmental sustainability were prioritised and this resulted in the introduction of monitoring and evaluation mechanisms for continuous evaluation against defined targets.

The OHS revised policies, procedures manual and the environmental policy were all approved by the Board and their implementation is underway. During the last quarter SA Express reached a watershed agreement with Mondi SMME supplier, Butha Zonke, which enables the organisation to recycle its waste efficiently and increase its Enterprise Development contribution. This enabled SA Express to implement initiatives that have improved our Carbon efficiency by 7.5% from the previous year, against a target of 5%.

A tip-off to the Ethics Hotline in September 2011 resulted in the Board instituting a forensic audit and commissioning Sizwe Ntsaluba to undertake this. The areas under investigation were the procurement of a business intelligence application and two amounts, R42m VAT and R16m owed by SAA, reported as receivable that were alleged not recoverable.

The process of forensic audit was managed by the Board and SA Express leadership and our staff cooperated fully with the forensic team. Once the audit was complete, a board decision was made to withdraw and reconstruct the March 2011 Annual Financial Statements and prior years. This process, which initially seemed straight forward, proved to be highly complex and the internal auditors KPMG were commissioned to assist with the reconstruction process.

The forensic audit proved to be a trying time for the entire organisation but positive lessons were learnt during this process.

Human Capital Development

SA Express employs over 1000 individuals in its Head Office and operational Out Stations within South Africa and SADC. Apart from managing labour practises within our borders, we need to be cognisant of and compliant with the regulatory framework of Botswana, Democratic Republic of Congo, Mozambique and Namibia. This challenge will become even more relevant as we seek to expand further into SADC and the continent to fulfill our mandate of connecting primary and secondary hubs.

During 2011/12 Human Capital prioritised three critical areas: the realignment of reporting structures to achieve the strategic objectives, the implementation of a clear succession planning framework and the rationalisation of the organisational resources to decrease the high cost of talent on the balance sheet.

The relationship with key internal stakeholders, especially organised labour, improved during and after the salary increase negotiations in the first quarter, as management adopted a rigorous and transparent approach. A three year salary agreement was reached with SAXPA, achieved through the collaborative framework laid out and agreed to by all parties.

The succession planning model was approved by the Board and its initial implementation in the third and fourth quarters saw a marked positive shift in the leadership approach to planning and developing talent.

SA Express continued on its quest to explore the efficient deployment of human resources throughout the year. This was in part imposed due to the escalating costs of operation beyond the budget but also because of the drive to improve operational efficiencies. Various initiatives were introduced to drive cost curtailment and improve productivity.

The recruitment and retention of talented youth to meet the National Growth Path targets remains high on the agenda of the airline. During the 2011/12 financial year a total of 18 Mach 1 Cadet pilots and 5 Mach 2 pilots were trained, 30 Technical apprenticeships were completed, while a total of 6 Learnerships opportunities were created. The customised Management Development Programme and Supervisors Skills Programme achieved good results with a total of 35 and 45 individuals trained, respectively.

CEO's Report
(continued)

Operational Efficiencies - Business Model
The organisation-wide focus on Reliability resulted in a review of the operational business processes. Resources, communication, supply chain management, technology and system gaps were identified and recovery plans were initiated.

The airline's efforts to improve reliability were acknowledged in May 2011 with a Bombardier Reliability Award for Middle East and Africa, a feat that we hope to achieve repeatedly in the coming years.

SA Express once again gained IOSA certification for 2011-2013. The ratification of our safety and reliability standards were positive developments that would stimulate further improvements.

Navigating beyond the turbulence in 2012
The minus 4% growth forecasted by IATA for 2012/13, for Africa, is concerning but not unexpected, as airline profitability will weaken due to macro-economic forces. Decreases in global demand will amplify SA Express' regional expansion strategies, specifically between primary, regional and secondary domestic hubs.

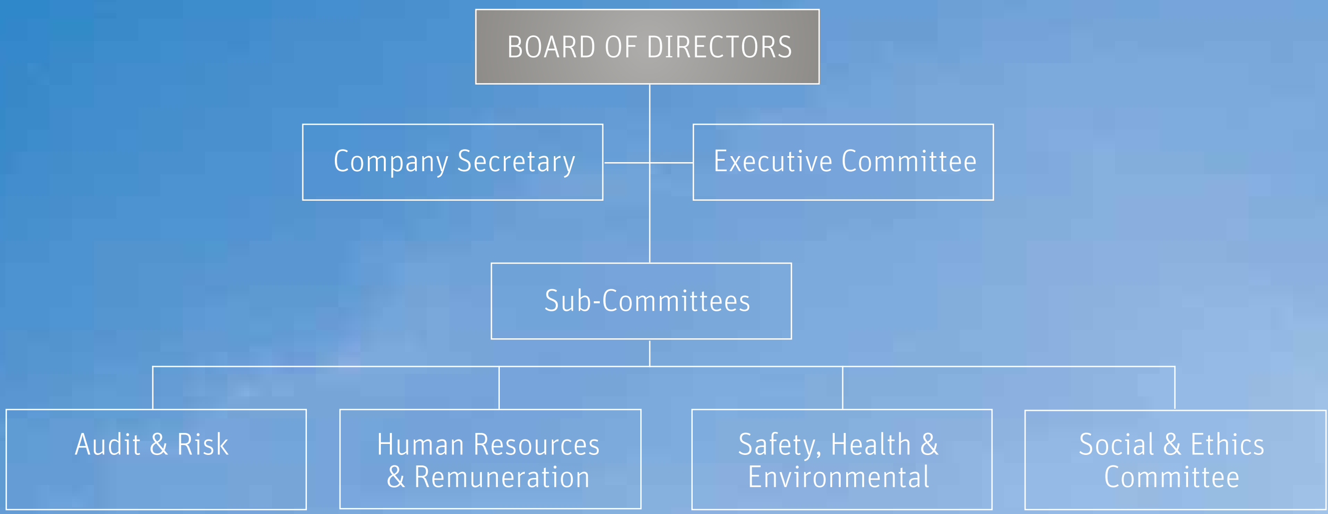
SA Express' performance indicators are better than the previous year; however the gains are being eroded by consistently escalating costs in areas within and outside of the ambit of control of the organisation. For this reason strategic sourcing will be a critical priority for the organisation in the coming financial year. In addition, improving our reputation with key stakeholders will be a priority and improving weaknesses in the internal controls as well as reporting and monitoring frameworks will continue to be our focus as we strive for flawless execution beyond 2012.

Furthermore, increasing our customer-centricity will continue to drive strategic interventions and tactical responses to changes in market conditions. As we evolve the organisation towards a high-performance culture by changing the way we approach our work, we will become a world class regional airline.

I would like to again express my gratitude to all those who remain on board our journey and may it be a worthy destination once we disembark.

I.Ntshanga

04 Leadership



Board of Directors

Mr. Andile Mabizela
Chairperson

Andile Mabizela is a Director of Afrilog SA (Pty) Ltd, a mining logistics and procurement company.

Mr. Mabizela has served on multiple boards in the financial and aviation sectors.

Mr. Inati Ntshanga
Chief Executive Officer

Inati, a Harvard Economics graduate, was appointed Chief Executive Officer on the 1st of September 2010.

Previously, his portfolio included the development of SA Express' strategy and business development, including driving expansion into new routes. Over the last 10 years, Inati has held various roles in the airline industry, particularly at SAA where he worked in various departments, including Voyager, Airport Operations, Technical, Regional General Manager for the Americas and Executive Manager of Strategy and Planning. Prior to joining SAA, Inati was part of a consulting firm that was tasked to work in various areas including Cargo, Technical and Customer Service. Inati also holds a GIBS Global Executive Development Programme qualification, serves on the Board of the Hoedspruit airport and is intensely involved in the development of the aviation industry in the region.

Board of Directors
(continued)

Mr. Zanele Ziphelele Ngwenya
Chief Financial Officer

Zanele is a qualified Charted Accountant (South Africa) and was a Registered Auditor with over 10 years' professional experience in the field of accounting and senior management.

He holds a Bachelor of Commerce (Honours in Accounting) and a Master of Business Administration and a Bachelor of Commerce (Economics and Accounting) from the University of KwaZulu-Natal and the Gordon Institute of Business Science respectively.

Ms. Karabo Nondumo
Non-executive and Chairperson of the Audit and Risk Committee

Ms. Karabo Nondumo is the Executive Head: Vodacom Business, former Executive Head: Corporate Finance at Vodacom Group Limited. Ms. Nondumo is a Chartered Accountant (South Africa) and has experience in various sectors including natural resources, financial services, media, telecommunications, gaming and energy. She is an independent non executive director of Harmony Gold Mining Company Ltd, Rolfes Holdings Ltd, Merafe Resources Ltd and a member of Senatla Advisory Board. She is a member of African Woman Chartered Accountants (AWCA) and a mentor for Shanduka Black Umbrellas.

Ms. Neo Moshimane
Non-executive

Ms Neo Moshimane is the owner of Dm5 Incorporated, a Commercial Attorneys firm. Since starting her business four years ago Ms. Moshimane has grown the firms revenue by three times.

Ms. Moshimane also helps train young attorneys so that they can become great lawyers.

Mr. Ezrom Mabyana
Non-executive

Mr. Mabyana is a former trustee of three major Retirement funds in South Africa Transnet Retirement Fund, Security Sector Provident Fund and Cosatu's Kopano Ke Maatla Trust Fund.

He is also a former Director of most of south africa's blue chip companies in Jonnic, Premier Milling, Johncon [Now Avusa] and Sarhwu Investment Holdings [Pty]Ltd.
Mabyana holds a Diploma, in Financial Management and a Professional Presentation.

He is also a former President Cosatu's biggest Transport Union, in S.A. Transport & Allied Workers Union for over 10 Years.

Ms. Nosipho Gxumisa
Non-executive

Ms. Gxumisa is currently the Non-executive Director of Tshikululu Social Investment.
Ms. Gxumisa has studied at the University of Pretoria, the University of The Witwatersrand and at Salford University.

Ms. Gxumisa has worked in the following positions:
- Snr Manager - Supply Chain Services at De Beers Consolidated Mines Limited
- HOD Fleet Acquisition and Sales South African Airways.

Dr. Bridget Ssamula
Non-executive

Dr. Ssamula holds a PhD in Transportation Engineering from University of Pretoria, in which she specialised in the field of aviation.

Dr. Ssamula is currently a senior lecturer and researcher in the Civil Engineering Department at the University of Pretoria.

Dr. Ssamula has also been involved in air transport projects at both research and industry level in areas ranging from policy, strategy, planning and operations with a specific focus on African aviation issues.
Dr. Bridget Ssamula.

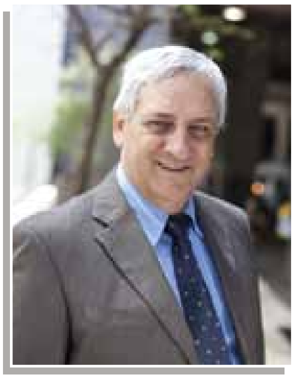
Mr. George Mothema
Non-executive

Mr. Mothema holds a B.Proc and once served as SA Express' Company Secretary.
Mr. Mothema has considerable experience in the Aviation and Commuter Transport sectors.
Mr. Mothema's skills include Governance, Company Secretarial, Legal and HR and substantial PFMA exposure.

Ms. Boni Dibate
Non-executive

Ms. Dibate is currently Executive Manager: Service Delivery at ATNS (Air Traffic & Navigation Services).
Ms. Dibate's working career started in the Health sector. She is also a registered Clinical Psychologist.
She has also served on numerous Boards and was President of Business Women Association between 2002 and 2003.

2012 Executive Team



Johan Du Toit CA (SA)

Acting Chief Financial Officer

Johan Du Toit is an accomplished Chartered Accountant and has worked extensively across South Africa. Johan has worked in the public and private sector where he held positions of Financial Director and CFO before he joined SA Express. Johan is a Bachelor of Commerce graduate from the University of Johannesburg, where he majored in Accountancy. He obtained his Bachelor of Commerce Honours degree from the University of Johannesburg. Johan is the member of the South African Institute of Chartered Accountants (SAICA).

Elize Isenschmid

Company Secretary / Head: Legal and Governance

Elize holds a BA Law, LLB achieved cum laude from UNISA. She was also awarded the senate medal for best performance in LLB studies from UNISA and she also received the Johannes Voet Advocates Bar Medal, a special award for most outstanding performance in LLB studies, from the Advocates Association of Transvaal. Elize is an admitted attorney of the High Court of South Africa and a member of the Law Society of the Northern Provinces. She completed her articles at Norton Rose Attorneys. and has worked as a Company Secretary / Legal Advisor for various listed companies including Anglo American, Zeltis Holdings and Blue Label Telecoms as well as for Khula Enterprise Finance, a company owned by the Department of Trade and Industry.

Wesley Hermanus

General Manager: Human Capital

Wesley Hermanus is in his fourth year of heading up the Human Capital Business Unit at SA Express and was instrumental in transforming this area from an administrative function to a strategic business partner. Prior to joining SA Express, Wesley was at South African Airways for 10 years, where he worked in the Flight Operations environment before moving to HR. Here, he held various managerial positions such as Quality Manager, Senior Manager: Skills Development, as well as Head of Industry Travel. Wesley then joined Discovery Holdings as the Divisional Manager: Learning Management position he held for 3 years. Wesley holds a Human Resource Development qualification from the University of Johannesburg and a Masters degree in Business Administration.

Zuki Jantjies

General Manager: Customer Service and Marketing

As General Manager for Customer Service and Marketing, Zuki provides leadership to the Airports Operations, Product and Catering, Sales, Direct Channels, Group Sales & Reservations and Marketing teams. Zuki was previously the Executive Manager for Airport Operations and OCC, where she led the team to ensure the timely departure and arrival of passengers at airports and co-ordinating the movement of all aircraft. Before her appointment to Executive Manager for Operations and OCC, Zuki headed the SA Express' Marketing Department, which consisted of brand marketing, communication, public relations and product before she was promoted to her current position. Before joining SA Express, Zuki spent four years at Nampak in human resources, business development and brand management. she spent six years at Voyager responsible for airline and non-airline partnerships as well as Marketing. Zuki holds an Honours Degree in Business Studies and a Higher National Diploma in Business & Finance from Nottingham Trent University in the United Kingdom.

Arson Malola-Phiri

General Manager: Africa Expansion

As General Manager - Regional Expansion, Arson Malola-Phiri is responsible for formulating the Regional Expansion strategy and roll out. Arson has vast experience in the airline and financial services industries, having worked for South African Airways, Barclays Africa, Standard Bank and Nedbank, in various senior management and executive roles. During his tenure at SAA, Arson was responsible for the roll out of the Africa region growth strategy. He holds an MSc (International Finance) from University of Stirling (UK), as well as a BCom and Diploma in Business Studies.

Peter Mashaba

General Manager: Risk and Compliance

Peter's role at SA Express is to ensure the safety of the airline through compliance with Civil Aviation Authority (CAA) regulations and international standards set by IATA. His 15 years of experience in the aviation industry includes working at the SACAA to oversee safety of commercial aircraft operators. Peter was also responsible for preparing South Africa for state civil aviation safety audits conducted by the International Civil Aviation Organisation (ICAO) and Federal Aviation Administration (FAA) in 2007. Peter holds a Masters Degree in Aviation Safety and Aircraft Airworthiness from ENAC and ENSICA University in France.

2012 Executive Team

(continued)

Ramon Vahed

General Manager: Technical Maintenance and Engineering

Ramon Vahed is an internationally trained and leveraged industry specialist with vast knowledge and experience in the areas of aircraft maintenance organisation leadership, as well as fleet acquisition and development. As a qualified and certified aircraft maintenance engineer, he has successfully performed in several senior management roles and a major accomplishment during his 18 year tenure includes assisting South African Airways in its largest ever acquisition of 26 Airbus aircraft while based in Toulouse, France. He currently leads the highly skilled team responsible for maintaining and supporting SA Express' fleet of regional aircraft and is focused on building brand equity for the airline by ensuring that fleet performs in line with international best practice. Ramon is also a graduate of the University of Cape Town and holds a Post Graduate diploma in Management specialising in Management Practice. "Having commenced my aviation career in 1994 shortly before SAX opened its doors I feel a special connection with the business that has recently celebrated its 18th birthday and am proud to be one of the principle architects to developing the airline as a key state asset"

Este Welman CA (SA)

General Manager: Strategy and Revenue Management

Este is a qualified Chartered Accountant and holds an M.Com in National and International Tax from North West University. Este joined SA Express as the Manager of Tax and Reporting in 2007, previously from the Audit industry. In her current role she will provide strategic direction in terms of routes, new destinations, scheduling of flights and aircraft to ensure that revenues are maximised.

Dave Allanby

General Manager: Operations & Cargo

A qualified pilot, Captain Dave Allanby, is responsible for the daily airline operations. His portfolio includes airport operations, flight deck and cabin crew and the Operational Control Centre. Prior to joining SA Express, Captain Allanby spent eight years as the Chief Pilot of Gencor Aviation and prior to that Dave was at South African Airways for nine years. At SA Express, Dave's previous roles included Audit Captain, Chief Pilot and Executive Manager: Flight Operations. He is currently the Chairperson of the Tender Committee, Principal Officer of the Pension and Provident Fund and Lead Negotiator in annual union salary reviews.

Jenean Green
Chief Information Officer

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

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

05

Sustainability

- Sustainability Report
- Corporate Governance Report

Sustainability Report 2011/12

Key Sustainability Challenges

SA Express faces a number of sustainability challenges:

1. **Pressure on Profitability**
   SA Express' profitability continued to be under pressure from the unpredictable global oil prices, as well as legislated tariffs from, service providers such as ACSA, ATNS and CAA.
   This mitigated against management's efforts to contain direct costs that continued rising above inflation levels.

2. **Economic Downturn**
   Being largely a feeder airline, SA Express had to contend with reduced load factors due to an over-subscribed domestic supply market competing for declining passenger numbers which may be attributable to less people travelling as a result of the global economic landscape.

3. **Reliability**
   SA Express' overall reliability improved in the year under review but SA Express remains challenged to meet its internal target.

4. **Internal Controls**
   Identified weaknesses within the internal controls environment resulted in the Board commissioning a forensic audit that assisted management to implement changes to internal controls and reporting framework, operating practices and business processes.
   Coupled with the controls was a sharp focus on efficiency improvements in resource utilization.

5. **Less than optimal Stakeholder Relationships**
   These manifested themselves in unsatisfactory Shareholder / Management relationships, inaccurate reporting, less that optimal operational oversight, lack of synergy between Board and Executive, low employee morale and engagement challenges, poorly managed media relationships as well as unsatisfactory supplier service level agreement management. Most of these challenges had largely been addressed by the end of the financial year.

6. **Consumer Protection Act**
   The introduction of the Consumer Protection Act continued to present considerable challenges to the airline industry in general. With the full implications of the Act not yet decoded to the sector, management was faced with having to make assumptions, some of which could have been over-or-under exaggerated. Clarity on the full implication of the legislation would be beneficial to the organization.

7. **Human Resources**
   With the constant demand for scarce skills of pilots and technicians. SA Express has persistently faced the challenge of retention. This phenomena has declined in the last year as a result of the economic slowdown of the industry.

8. **Cargo**
   The development of capacity and capability to handle cargo continued to present considerable challenges from a human capital, equipment as well as logistics perspective.

9. **Climate Change**
   Striking a balance between optimal operations and mitigation of climate change risks as well as associated environmental concerns, continued to be an issue. This was particularly so, given that more than 99% of SA Express' operational carbon footprint is attributable to the consumption of aviation fuel. Initiatives were introduced within flight operations to mitigate the negative impact of the operations, that resulted In improved efficiencies as well as reduced fuel burn and thus marginally reducing the airline's emissions per passenger kilometre.

10. **Sustainable Customer Relations**
    Operational challenges largely due to technical problems affected SA Express' ability to make available the required capacity, at the required frequency thereby straining customer relations, in particular with some corporate clients. A survey conducted during the year highlighted the following about our customers;
    a) that our customers fly with us because they have to, not as a result of a differentiated product;

Sustainability

(continued)

b) the reliability of our product as well as the service offering are expected to be the determinants of our success on the market;

c) the public has not yet identified with the SA Express brand perhaps due to limited marketing and / or brand building.

Developments in 2011/12

1. Financial Sustainability

		2012	2011
		Audited AFS	Restated AFS
		Rm	Rm
Net profit / (loss) before tax		(313.9)	(200.7)
Profit on sale of Assets		(120.2)	0.0
Impairment on Assets	- PPE	49.8	61.2
	- Rotables	51.0	0.0
	- Other	10.3	10.7
	- Inventory	2.8	0.0
	- PPE Scrapping	7.8	0.0
Impairment of Cox Expense		-	39.6
Scrapping expense		5.8	0.0
Fair Value Adjustments		0.7	1.4
Change in Estimates		79.0	145.2
Penalty and fines		1.3	0.1
Sustainable earnings/ (loss) before tax		(225.8)	54.8

Per the table above, the Company has made a loss before taxation of R225.8 million which is lower than the profit before taxation of R54.8 million made in the comparative year. The strategic cost containment initiatives employed during the year under review, which yielded a R129.1 million saving, have contributed positively and the Company expects to continue deriving benefits from the initiatives well into the future.

Revenue from operations was 23% higher than the previous year, with net operating expenses also higher by 26%. There was an increase of 5% in operating loss to minus 16% from the previous year's minus 11%. Net cash at the end of the year was minus R61, 737,897; 182% lower than the previous year.
The value added to employees, as well as to the providers of finance, was higher than the previous year, with the value added to Government being lower in accordance with the loss incurred.

SA Express' liquidity position (current assets: current liabilities) has deteriorated from 1.43 times the previous year and currently stands at 1.04 times while the solvency ratio (total assets: total liabilities) declined as well to 1.18 times from 1.69 times the previous year. The main strategic driver, with reference to funding is to ensure that SA Express remains focused on the optimal gearing ratio of 1:1. The company is able to maintain a near perfect gearing ratio given the reduction in cost related to ownership of aircraft. A lower leveraged balance sheet with strong cash resources will enable SA Express to respond with speed to cyclical economic growth, as well as consumer demand.
The company continued to service the R200 million revolving credit facility during the year. The loan is over a five-year term.

Future debtprofiles will be driven by the company's efficiency ratios to ensure that all funding ventures remain affordable with the airline able to operate without undue stress.

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

In order to improve capacity SA Express will, during the next financial year introduce health and safety leadership interventions that include getting Executive management to set the tone for health and safety commitment by all by:
implementing a leadership visibility programme where executive leadership and managers go to the shop floor and engage with employees on health and safety matters;
incorporating health and safety into performance appraisals and holding managers accountable for health and safety performance in their areas;
training leaders in health and safety legislation and company standards.

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

There were no fatalities during the year while the total incidents/accidents recorded were higher at 12 against the previous year's eight (8).

3. **Strategic Plan 2012 - 2017**
SA Express' Strategic Plan from 2012 going forward looks, firstly at addressing the immediate challenges of costs exceeding revenues, weak internal controls and reporting as well as optimization of efficiencies and productivity.

In this regard, stringent and innovative cost cutting initiatives were initiated, financial statements from previous years (FY 2011, 2010, and 2009) restated to align them with revalued assets and recommended accounting policies, and flight schedules were consolidated to sweat the airline's assets more effectively and efficiently. Existing control policies were also reviewed against IFRS for compliance.

Secondly, in the medium to long term, the strategy seeks to consolidate and develop the gains achieved in the first phase. This will be delivered through the four pillars of flawless execution, a high performance culture, brand driven customer centricity as well as expansion of SA Express' African footprint. These pillars will drive the individual business unit strategies to ensure that processes are optimized, tracked and measured, changing the way we think about and approach our work, with the right people in the right jobs. Our brand drive is towards making SA Express the market leader in our category while the expansion pillar is premised on purpose driven growth by proactively capitalizing on existing domestic hubs to establish new regional routes, partnering with other carriers, and extending non-core services to other carriers.

4. **Human Capital**
The year 2012 proved to be very turbulent for the airline industry as a whole. SA Express, like other airlines was not immune to the aftermath of the negative economic conditions that inevitably led to the increase in costs of doing business while eroding gains in revenue. For the employees of SA Express, as the financial year ended, this translated into a reality that for the second year in succession, they did not realise the financial rewards in the form of the variable-short term incentives that they would normally receive given good overall performance by the company. In order to contribute to the continued sustainability of the airline, SA Express concentrated on the following:

Growing the "Best Company to Work for" brand

Surveys have shown that when looking for a company to work for, employees place high value on intangibles, such as advancement and learning opportunities, work/life balance, recognition, and being treated with respect.

Sustainability
(continued)

In order to leverage on these, SA Express concentrated on improving in four focus areas in order to build a strong employee engagement culture throughout the organization as a retention tool in the midst of serious financial instability:
a) Inspired Leadership
b) Unique Company Culture
c) Employee Recognition
d) Focus on growing Talent

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

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

Employee relations
The 2011/2012 financial year was relatively stable from an employee relations perspective. This was due to the fact that 2-year salary agreements were concluded with all recognized unions during the 2009/2010 financial year in order to provide stability and labour peace during the critical 2010 FIFA World CupTM period. SA Express spent 8% of its total personnel cost on training and development for the current financial year.

Leadership Development
SA Express focused on increasing its leadership bench strength, with a continuation of its leadership pipeline programme/s. The Management Development Programme and the Supervisory Skills Programme have proved to be instrumental in providing a critical pipeline of talent for the management echelon.

35 Middle Managers went through the MDP Programme while 45 attended the SSP. Of these, 91% were black of which 50% were female. These continuous development programmes will ensure a competent supply of managers for the organization, whilst transforming this critical occupational level.

Functional Training
SA Express has been focused on increasing shareholders' value and has played a vital role in improving the scarce skill dilemma within the airline industry, particularly in the specialized field of pilots and technicians. The airline has remained committed to meeting the skills challenges identified in the New Growth Path.

The Cadet Programme, including the abinitio - also known MACH1 and the Mach 2 programmes target previously disadvantaged individuals and are instrumental in the transformation of the Pilot Occupational category which remains one of the biggest challenges to ensuring that occupational imbalances are addressed. A total of 18 Cadets were enrolled into MACH1 during the 2011/2012 financial year. On the other hand, a total of 8 cadets were enrolled in the MACH2 Programme brandishing individuals with Commercial Pilot Licenses and flying hours of just under 500. These are delegates that will be trained to acquire adequate flying hours in order to be considered for employment as pilots for SA Express.

30 new apprentices were enrolled during this period. Similar to the cadet programme, this programme is geared at previously disadvantaged individuals and is instrumental in the transformation of the technicians' occupational category.

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

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

Employment Profile
The SA Express head count was 1090 staff members as at 31 March 2012. The overall employment profile reflects very positively compared with the national and industry benchmarks. It shows a positive demographic profile change of 3% from the previous year. The demographic comparison of 41% white and 59% black, with a gender profile of 36% female and 64% male is indicative of good Employment Equity and Affirmative Action practices. Gender equity will, however, require attention over the next year to achieve the company's EE targets.

Figs 1 and 2 show the current SA Express employee profile.

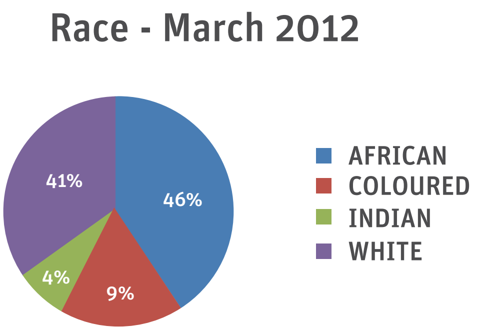


Fig. 1

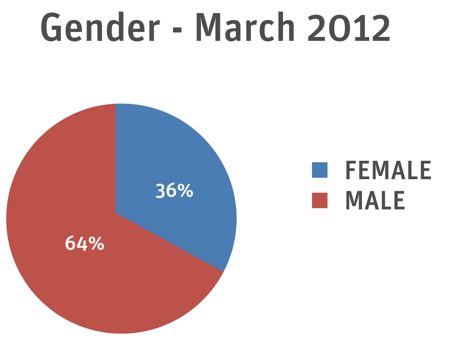


Fig. 2

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

2012/13 Human Capital Strategy
The Human Capital strategy for 2013 will focus on striking a balance between the business objectives to attract and retain the right mix of talented staff, whilst fulfilling its role as a State Owned Company, to provide opportunities for the large number of unemployed individuals in the country. The following strategic objectives have been committed to in line with the broader business goals:

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

5. BBBEE and Transformation

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

SA Express' BBBEE rating for 2011/12 remained at level 7. A review of the SA Express' empowerment criteria was conducted during the year and the key areas for improvement were identified as targeted procurement, skills development and employment equity. While there is much to be done to ensure that our expectations and the requirements of the BEE Charter for the Transport Sector are met and that we maintain our commitment to meritocracy as the basis for appointment and reward, it should be stated categorically that BBBEE and transformation remain priority challenges for the airline.

Skills shortage and the impact of increased transformation pressure have created challenges to the retention of experienced black executives, technicians, other specialists and professionals. However, SA Express continues to lead the industry in its transformation achievements, as can be measured

Sustainability
(continued)

by its early achievement of industry benchmarked targets. A continuous thrust to advance the transformation agenda in line with the national EE objectives permeates through critical and strategic company objectives.

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

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

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

Due to financial constraints, during 2011/12 SA Express' investment in formal employee training and development decreased by 29.8% to R23.08 million from R32.91 million the previous year.

6. Environment

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

Our environmental goals are zero waste to landfill, improving carbon efficiency by 5% per annum in terms of CO2e emissions per passenger kilometre as well as zero growth in emissions by 2020.

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

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

During the year under review, SA Express continued to refine its data gathering methods to guide the airline in quantifying, assessing and minimizing the impact of our business on the environment. The key focus areas are as captured in the table above.
Indicators against which risks and opportunities were assessed and managed include:
resource efficiency and reduction of SA Express' carbon footprint as well as emissions reduction, minimisation of spillages, and waste management.
We continued to work closely with policy makers (as part of the Department of Public Enterprises' team tasked with coming up with initiatives for leading South Africa in the transition to a low carbon economy) to influence the development and implementation of effective environmental regulations.

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

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

SA Express supports the October 2010 International Civil Aviation Organisation (ICAO) assembly meeting's resolution that introduced the concept of a global sectoral framework for managing aviation CO2 emissions. We are committed to capping our emissions by 2020 against the 2005 baseline and reducing our intensities thereafter. Our target is to improve our carbon efficiency by 5% per annum, effective 2010/11 financial year. In that regard, our carbon efficiency for the financial year was 182.8 grams per passenger compared with 197.1 grams per passenger attained in 2010/11.

7. Community Development

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

Through the SA Express Cares Initiative, care is provided for children and the young who represent the future of our airline and nation. During the year under review, SAX sponsored various business and community causes to the tune of R352, 492.

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

8. Ethics

SA Express acknowledges that leadership is responsible for creating the foundation for an ethical culture within the organization. In this regard, a Social and Ethics Sub-committee of the Board was constituted during the financial year. It is our understanding that a company builds an ethical culture using formal and informal ways. Formal ways include compiling an ethics risk and opportunity profile, developing a statement of business principles (commonly referred to as a code of ethics) and integrating ethical standards into its business activities and reporting on and disclosing the company's ethics performance.

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

- To guide the behaviour of all persons appointed to act in one way or another on behalf of SA Express while on duty or during the course of duty and when acting on behalf of/or representing the airline.
- To provide a framework for identifying conduct that is ethical and acceptable for employees and representatives of SA Express.

Sustainability
(continued)

- To ensure that all stakeholders are aware of the basic values cherished by SA Express.
- To ensure accountability within SA Express in line with fundamental ethical values and value systems.

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

9. Stakeholder Engagement

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

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

As part of our stakeholder mapping and prioritisation, we will continue to review and develop appropriate mechanisms and processes to constructively engage with these groups.

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

10. Customer Relations

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

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

The following specific initiatives were undertaken to enhance SA Express customer/client relationships: identification of customer/client needs staff training programmes strategic alliances/code sharing market engagement innovation and education focus on quality, cost and performance delivery Measures are in place to monitor customer/client satisfaction. These include questionnaires and regular customer surveys, with key account and project managers maintaining regular contact with customers/clients.

Sustainability Performance

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

Performance Dimension	Performance		Movement
	2011/12	2010/11	
Financial and Economic			
Revenue (Rands)	2,043,977,837	1,737,032,007	Up
Net operating expenses (Rands)	2,363,057,666	1,878,847,916	Up
Operating Profit Margin	(15,1%)	(8,1%)	Down
Year end net cash (Rands)	(61,737,897)	74,845,499	Down
Value added to employees (Rands)	467,258,392	415,849,375	Up
Value added to providers of finance (Rands)	18,053,960	11,596,469	Up
Value added to Government (Rands)	(Nil)	(Nil)	Constant
Value added to the Business (Rands)	(313,882,535)	(186,967,692)	Down
Cargo as a % of Turnover	0,84%	0,73%	Up
Aircraft utilization (Average hours per day)	7.8	6	Up
OTP 15 min rule (%)	88%	85%	Up
Passengers transported	1,618,758	1,399,893	Up
Passenger Revenue (Rands)	1,574,402,708	1,572,398,796	Up
Average Revenue per Passenger (Rands)	966,00	940,26	Up
Passenger load factor	61%	64%	Down
Social Safety			
Fatalities	0	0	Constant
Number of incidents/accidents	13	15	Down
OHSAS 18001 Implementation	50%	In progress	WIP
Health			
Employees medically surveyed	389	355	Up
Noise induced hearing loss	1	0	Up
Employees			
Total Employees	1090	1026	Up
Expenditure on employee training (Rands)	23,081,173	32,959,636	Down
% Black employees attending leadership development programme.	81%	95%	Down
% Female employees attending leadership development programme.	58%	50%	Up
Transformation and BBBEE			
BBBEE Rating	7	7	Constant
% Black employees	59%	57%	Up
% Female employees	38%	38%	Constant
% Black employees in Management	61%	51%	Up
% Female employees in management	31%	36%	Down
Community			
Corporate Social responsibility expenditure (Rands)	352,492	71,500	Up
Environmental			
Energy used (Litres Aviation Fuel)	88,693,523	81,579,015	Up
Carbon Footprint (Scope 1 and 2) Tons CO2e	227,100.2	208,717,6	Up
Carbon efficiency	182,2	197,1	Up

Corporate Governance Report

GRI INDEX – BASED ON GRI G3-GUIDELINES

GRI Reference and Description

1. VISION AND STRATEGY

Chairman's Statement

Chief Executive Officer's report to stakeholders

2. ORGANISATIONAL PROFILE

2.1	Name of organization
2.2	Primary brands, products and services
2.3	Operational structure of the organization
2.4	Head Office of the organization
2.5	Countries In which operations are located
2.6	Ownership structure and legal status
2.7	Markets served
2.8	Scale of the reporting organization
2.9	Significant changes in the organizational and ownership structure

3. REPORT PARAMETERS

Report profile

3.1	Reporting period
3.2	Date of most recent report
3.3	Reporting cycle
3.4	Contact point for questions regarding the report

Report scope and boundary

3.5	Process for defining report content (including priorities)
3.6	Boundary of the report
3.7	Limitations on the scope of the report
3.8	Basis for reporting on joint ventures, subsidiaries, etc
3.9	Data measurement techniques and basis of calculations
3.10	Explanation of any restatement of information provided in earlier reports
3.11	Significant changes in the scope, boundary, or measurement methods
3.12	GRI content index: Tabular overview with page numbers
3.13	Assurance - external assurance of statements

4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

Corporate Governance

4.1	Governance structure of the organization
4.2	Independence of the Chairman
4.3	Independence of the Board
4.4	Shareholder and employee recommendations to the Board
4.5	Linkage between Executive Directors and Senior Executive compensation and the organization's performance
4.6	Processes to avoid conflicts of interest
4.7	Process for determining the qualifications and expertise of the Boardmembers
4.8	Mission statement, codes of conduct and corporate values
4.9	Board procedures for overseeing the organization's risks and opportunities regarding sustainability
4.10	Processes for evaluating Board performance
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization
4.12	Externally developed economic, environmental, and social charters, principles, or initiatives to which the organization subscribes or endorses
4.13	Memberships Stakeholder engagement
4.14	List of included stakeholder groups
4.15	Identification and selection of stakeholders
4.16	Approaches to stakeholder engagement
4.17	Consideration of stakeholders' interests

5. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

Economic Performance Indicators

EC1	Economic performance
EC2	Financial implications due to climate change
EC3	Coverage of the organization's defined benefit plan obligations
EC6 - EC7	Market presence
EC8 - EC9	Indirect economic impacts

Environmental Performance Indicators

EN1 - EN 15	Materials, Energy, Water and Biodiversity
EN16 - EN25	Emissions, effluents and waste
EN26 - EN27	Products and services
EN28	Compliance with legal regulations
EN29	Transport

Labour practices and Decent Work Performance Indicators

LA1 - LA2	Employment
LA4	Labour / management relations
LA6 - LA8	Occupational health and safety
LA10 - LA12	Training and education
LA13	Diversity and equal opportunity

Human Rights Performance Indicators

HR2	Procurement practices
HR4	Non-discrimination
HR5	Freedom of association and collective bargaining
HR6	Child labour
HR7	Forced and compulsory labour

Society Performance Indicators

SO1	Community
SO2 - SO4	Corruption
SO7	Anti-competitive
SO8	Compliance

Corporate Governance Report

Introduction

SA Express ensures that it complies with the requirements of the Companies Act 71 of 2008 and the Public Finance Management Act 1 of 1999 and strives towards full compliance with principles of King Code III and the Protocol on Corporate Governance in the Public Sector.

Interaction between the Board and the Shareholder

An annual general meeting was held on the 13 August 2012 and some of the major decisions made were the rotation of both the external auditors as well as the directors of the board with the exception of Dr B Ssamula. The Auditor-General of South Africa and new directors were appointed as the new external auditors and board of directors, respectively. Refer to General Information for the details of the new directors of the board.

In addition to regular interaction between the Chairperson and the Minister of Public Enterprises, the Board interacts with the shareholder through the Annual General Meeting. The SA Express Annual General Meeting took place on 18 August 2011. The following matters were tabled for approval at the AGM:

1	Minutes of the last Annual General Meeting dated 16 August 2010
2	The Annual Report and Annual Financial Statements for the year ended 31 March 2011, including the Directors' report, the report of the Auditors and the Audit and Risk Committee Report
3	Non Declaration of Dividend
4	Shareholder's Compact
5	Appointment of the Auditors
6	Re-election, appointment and retirement of Directors
7	Remuneration of Directors
8	Appointment of Audit Committee members
9	Declaration of Interest
10	Board Performance
11	Board Attendance

The following Directors were reappointed on 18 August 2011:

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

The following Directors subsequently resigned during the course of the year:

Mr. E Bunyenyezi	Resigned 18/08/11
Mr. V Cuba	Resigned 29/01/12
Mr. G van Heerden	Resigned 15/02/12

Following the Annual General Meeting held on 13 August 2012, the external auditors and the directors of the board, save for Dr B. Ssamula were rotated. The Auditor General of South Africa and new directors were appointed to the board. For details of the new directors, see section 8 of the annual report on page 57, 86 & 59.

In addition to the statutorily imposed core objectives, the Board agreed in terms of the Shareholders Compact, to achieve the following Short-Term and Medium-to Long-Terms goals.

Sustainability Framework

Goals	Status
Short Term	
1. Consolidate presence and proactively maintain share in the domestic secondary markets	Increased frequency and/or capacity to Bloemfontein, Richards Bay and also between Cape Town and Bloemfontein.
2. Increase revenue to over R2 Billion	Company exceeded the R2 Billion mark
3. Develop human capital	Focus is on improved training opportunities for staff Extensive training programme initiated this year that covers all levels in the organisation i.e. ABET through to Executive Management training. See Human Capital Report
4. Build a sustainable cargo business	Analysis is currently being conducted to establish the value of a dedicated Q400 freighter for the region.
5. Improve and grow network to key regional destinations.	This remains a focus as the company had to exit the Congo Express joint venture.
Medium to Long Term	
6. Sustained profitability	Remains profitable despite challenging year due to economic downturn.
7. Establish intra-Africa Hub strategy	DRC launched in 2010 and discontinued in May 2011 due to changes in the market that made it unviable. West and East African hubs and SADC expansion being explored.
8. Continuous improvement of SA Express' Retention strategy and Talent Management Plan	Long Term Incentives for junior employees implemented. Continuous market benchmarks conducted with 21st Century to ensure we remain competitive. See Human Capital Report
9. Be the employer of choice in the aviation industry	Ongoing. Staff Intranet launched to improve communication. See Human Capital Report
10. Reposition the SA Express brand in the market place.	New brand developed and implemented. New uniforms finalized.

The Board of Directors

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

Corporate Governance Report

(continued)

Composition

During 2012, the Board comprised a majority of Non-Executive Directors. Of the seven Directors, only one Director is an Executive. The Chairperson of the Board is a Non-Executive Director. The role of the Chairperson is separate from that of the Chief Executive Officer. The Board believes that separation of powers and responsibilities ensures appropriate balance of authority between the Board and management.

Ms. L G Boyle	Chairperson
Mr. C Christodoulou	Non-Executive Director
Mr. L J Ledwaba	Non-Executive Director
Dr. B Ssamula	Non-Executive Director
Ms. M J Vuso	Non-Executive Director
Mr. B F Mohale	Non-Executive Director
Mr. I Ntshanga	Executive Director
Mr. E Bunyenyezi	Non-Executive Director (Resigned 18/08/11)
Mr. V Cuba	Non-Executive Director (Resigned 29/01/12)
Mr. G van Heerden	Non-Executive Director (Resigned 15/02/12)

Role and function of the Board

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

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

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

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

The Board's role and responsibilities included:

- setting the strategic direction of the Company;
- reviewing and monitoring the management and performance of the business;
- recommending the appointment of the External Auditors to the shareholder;
- determining broad strategic policy decisions;
- ensuring that the necessary financial and human resources are in place to enable the company to meet its strategic objectives;
- ensuring sustainability of the organization to ensure that it is capable of fulfilling its commercial objectives and statutory obligations;

- fulfillment of its fiduciary duty in accordance with the principles of good governance;
- effective reporting and accountability to the shareholder and other regulatory bodies;
- exercising of due care, skill and good faith in the execution of its duties;
- ensuring that effective audit, risk management and compliance systems are in place to protect the company's assets;
- delegating certain responsibilities to the Chief Executive Officer;
- reviewing and monitoring the performance of the Chief Executive Officer and Chief Financial Officer;
- approval of the annual budget and business plan for the company;
- approval, subject to shareholder's consent, of all major transactions within the ambit of Section 54 of the Public Finance Management Act;
- consideration and approval of the Annual Financial Statements and Dividend Policy;

Board Meetings

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

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

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

Name	25 May 2011	27 July 2011 SPECIAL	24 August 2011	30 November 2011	24 February 2012
Ms. L Boyle	Present	Present	Present	Present	Present
Mr. B Mohale	Present	Present	Present	Apologies	Present
Ms. B Ssamula	Present	Apologies	Present	Present	Present
Mr. E Bunyenyezi	Apologies	Apologies	Resigned 18 Aug 2011	Resigned 18 Aug 2011	Resigned 18 Aug 2011
Mr.G Van Heerden	Present	Present	Present	Present	Resigned 15 Feb 2012
Ms. M Vuso	Present	Present	Present	Present	Present
Mr. C Christodoulou	Present	Present	Present	Present	Present
Mr. V Cuba	Apologies	Present	Apologies	Present	Resigned 29 Jan 2012
Mr. L Ledwaba	Present	Present	Apologies	Present	Present
Mr. I Ntshanga	Present	Present	Present	Present	Present

Corporate Governance Report
(continued)

Interaction between the Board and Management
Executive management was given access to interact with the Board via various presentations at Board meetings. In addition to the above, the Board held a strategy session with management in order to consider and agree on Medium-to-Long term objectives of the company. This session entailed rigorous interaction via deliberation and questions relating to the operation and execution of strategic objectives. Heads of the various departments presented their departmental execution strategies linked to the agreed overall strategy between the Board and shareholder. Non-Executive Directors have access to Executive Management and may meet without Executive Directors present. Such meetings are facilitated through the office of the Company Secretary.

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

Section 54 (2) (PFMA) Transaction/s

The following Section 54(2) Applications were approved:
- Withdrawal of SA Express from Congo Express.
- Fleet replacement:
- Disposal of fleet of seven aged Dash 8 300 aircraft
- Replacement with twelve larger Dash 8 Q400 aircraft, of which 7 have already been replaced
- Disposal of 6 CRJ 200 aircraft
- Durban base – African Expansion:
- Application was submitted, approval still pending.

Board Committees
In line with the requirements of the King Code 3 and the Protocol on Corporate Governance in the Public Sector, the following Committees duly assisted the Board in discharging its duties and responsibilities. The various Committees continued throughout the year to act and perform functions delegated to them in accordance with clear terms of reference. These Committees meet independently of the Board and are all chaired by Non-Executive Directors. The majority of the members of these committees are Non-Executive Directors. These Committees were also assisted by the Company Secretary in the performance of their duties. These Committees are:

Audit & Risk Committee

Comprising:	
Ms. M J Vuso	Chairperson
Mr. C Christodoulou	Non-Executive Director
Mr. V Cuba	Non-Executive Director

Register of Meetings and Attendance

Name	19/05/11	21/07/11	16/08/11	24/11/12	17/02/12
Ms. M J Vuso	Present	Present	Present	Present	Present
Mr. C Christodoulou	Present	Present	Present	Present	Present
Mr. V Cuba	Not yet appointed	Not yet appointed	Not yet appointed	Present	Resigned

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

- KPMG (Internal Audit Service)
- Nkonki Inc (External Audit Service)
- Mr. I Ntshanga (Chief Executive Officer)
- Mr. J du Toit (Acting Chief Financial Officer)
- Mr. P B Mashaba (GM: Risk and Compliance)
- Ms. J L Green (Chief Information Officer)

Human Resources and Remuneration Committee

Comprising:

Mr. B F Mohale	**Chairperson**
Dr. B Ssamula	**Non-Executive Director**
Mr. E Bunyenyezi	**Non-Executive Director (Resigned 18/08/11)**
Mr. V Cuba	**Non-Executive Director (Resigned 29/01/12)**

Register of Meetings and Attendance

Name	31/05/11	07/07/11	15/08/11	29/11/11	01/02/12
Mr. B F Mohale	Present	Present	Present	Present	Present
Dr. B Ssamula	Present	Present	Present	Present	Present
Mr. E Bunyenyezi	Apologies	Present	Apologies	Resigned	Resigned
Mr. V Cuba	Present	Apologies	Present	Present	Resigned

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

- Mr. I Ntshanga (Chief Executive Officer)
- Mr. W P Hermanus (GM: Human Capital)

Safety, Security, Health & Environmental Committee

Comprising:

Mr. C Christodoulou	**Chairperson**
Dr. B Ssamula	**Non-Executive Director**
Mr. G van Heerden	**Non-Executive Director (Resigned 15/02/12)**

Register of Meetings and Attendance

Name	10/05/11	16/08/11	17/11/11	15/02/12
Mr. C Christodoulou	Present	Present	Present	Present
Mr. G van Heerden	Present	Present	Present	Present
Dr. B Ssamula	Present	Present	Present	Present

Corporate Governance Report
(continued)

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

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

Social and Ethics Committee

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

Comprising of:	
Mr. C Christodoulou	Chairperson
Dr. B Ssamula	Non-Executive Director
Mr. W P Hermanus	GM: Human Capital
Mr. P B Mashaba	GM: Risk and Compliance
Mr. S Hlambelo	SS: Safety and Sustainability

REPORT OF THE AUDIT AND RISK COMMITTEE

Report of the Audit and Risk Committee in terms of regulations 27(1) (7) (a) to (c) of the Public Finance Management Act, No 1 of 1999, as amended.
The Audit Committee has adopted appropriate formal terms of reference compliant with the Companies Act, No 71 of 2008, which have been confirmed by the Board, and has performed its responsibilities as set out in the terms of reference.

In executing its duties during the reporting period, the Committee has done the following:

Audit

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

Financial

- Reviewed the financial statements and reporting for proper and complete disclosure of timely, reliable and consistent information.
- Evaluated the appropriateness, adequacy and efficiency of the accounting policies and procedures, compliance with overall accounting standards and any changes thereto.
- Reviewed the annual financial statements before submission to the Board for any change in accounting policies and practices, significant areas of judgement, significant audit adjustments, the internal control and going concern statements, the risk management report, the corporate governance report, compliance with accounting and disclosure standards, and compliance with statutory and regulatory requirements.
- Reviewed the recommendations of the external auditor and those of any regulatory authority

for significant findings and management's proposed remedial actions.

- Enquired about the existence and substance of significant accounting accruals, impairments or estimates that could have a material impact on the financial statements.
- Reviewed any pending litigation, contingencies, claims and assessments, and the presentation of such matters in the financial statements.
- Considered qualitative judgements by management on the acceptability and appropriateness of current or proposed accounting principles and disclosures.
- Obtained an analysis from management and the auditors of significant financial reporting issues and practices in a timely manner.
- Monitored the Corporate Plan targets and other non-financial reporting requirements.
- Monitored and reviewed the company's liquidity position.
- Monitored and reviewed the company's capitalisation requirements.

Governance

- Provided a channel of communication between the Board and management, the risk department, compliance officers, and the internal and external auditors.
- Received regular reporting from each of the above functions and monitored that issues and concerns raised were resolved by management in a timely manner.
- Liaised with Board committees and met as required with the regulators and the external auditor.
- Reviewed effectiveness of internal controls in accordance with Treasury regulation 27.1.10(b) and concluded that they required significant improvements.
- Monitored the operational status of compliance, risk identification and management functions.
- Reviewed the effectiveness of the procedures for dealing with complaints received by the Company (including receipt, retention, and effective treatment of these complaints) regarding accounting, internal accounting controls, or auditing matters, and submission by employees of the Company, including anonymous submissions, of concerns regarding questionable accounting or auditing matters. Confidentiality of all employees who made submissions to the Company's hotline has been maintained at all times to deter wrong-doing and corruption.

Any control deficiencies identified by the internal auditors were brought to the attention of the Committee and corrective action committed to by management. Where internal controls did not operate effectively throughout the year, compensating controls and/or corrective action , as far as practicable, were implemented to eliminate or reduce the risks. This ensured that the Company's assets were safeguarded and proper accounting records maintained.
The Committee's assessment is that the overall control environment of the Company needs significant improvement and the Audit and Risk Committee is continuously monitoring them for progress in compliance is an ongoing initiative through regular awareness training and electronic monitoring and reporting. The company has recently adopted and implemented a policy on Fruitless and Wasteful, and Irregular Expenditure in compliance with the PFMA. With the policy in place, training and awareness have being put in place to ensure thatfruitless and wasteful, and irregular expenditure is minimised.

The Committee is satisfied that the annual financial statements are based on appropriate accounting policies, and are supported by reasonable and prudent judgements and estimates. The Committee evaluated the Company's annual financial statements for the year ended 31 March 2012 and, based on the information provided therein, save for the disclaimer on opening balances brought forward from the 2010/2011 financial year and the non-compliance with the PFMA requirements on procurement, believes that the financial statements comply in all material respects, with the relevant provisions of the PFMA and International Financial Reporting Standards.

K Nondumo
Chairperson

Corporate Governance Report
(continued)

Remuneration of Executive Directors and Management

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

Basic salaries of Executive Directors are set at competitive market rates in terms of the SOC's Remuneration Guidelines and are subject to annual review. The performance of the CEO is assessed at the end of the financial year. The review is based on the performance of the company in terms of the Shareholders Compact.

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

Remuneration of Executive Directors and Management

Name	Salary	Post Retirement Benefit Funds Contributions	Other Contributions	Total 2012	
Ntshanga I - CEO	1,755,533,04	200,000,04	94,681,56	2,050,214,64	
Allanby DB	1,420,643,46	173,927,54	93,023,99	1,687,594,99	
Naidoo K - CFO	252,563,31	7,062,50	7,154,76	266,780,57	CFO 01.09.2011 - 27.10.2011
Du Toit J (Acting CFO)	441,818,18	0,00	71,52	441,889,70	Acting CFO 12.12.2011 - 31.03.2011
Green JL	1,418,651,87	68,351,50	34,663,70	1,521,667,07	
Hermanus WP	1,214,229,35	127,481,16	107,224,73	1,448,935,24	
Jantjies J	1,296,754,75	64,345,48	71,710,74	1,432,810,97	
Malola-Phiri A	1,425,674,45	108,938,66	117,793,93	1,652,407,04	
Mashaba PB	1,101,331,66	83,598,48	56,116,58	1,241,046,72	
Vahed RL	1,501,749,84	147,510,96	78,715,33	1,727,976,13	
Welman HC (Acting CFO)	1,260,289,57	113,938,08	30,190,46	1,404,418,11	Acting CFO 01.04.2011 - 05.06.2011
Wienand KD (Acting CFO)	357,954,55	0,00	53,64	358,008,19	Acting CFO 06.06.2011 - 31.08.2011

Short Term and Long Term Incentives - Executives

Name	Short Term Incentive	Long Term Incentive	Total 2012
Mr. D B Allanby	0,00	539,463,06	539,463,06
Ms. J L Green	0,00	517,876,65	517,876,65
Mr. W P Hermanus	0,00	411,088,38	411,088,38
Ms. J Z Jantjies	0,00	306,027,34	306,027,34
Mr. A Malola-Phiri	0,00	526,217,69	526,217,69
Mr. P B Mashaba	0,00	452,527,32	452,527,32
Mr. I Ntshanga	0,00	459,907,43	459,907,43
Mr. R L Vahed	0,00	522,808,81	522,808,81
Ms. H C Welman	0,00	314,183,70	314,183,70

Non Executive Director's Remuneration

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

Name	Jun-11	Sep-11	Dec-11	Mar-12	Total
Ms. L G Boyle	167,360,11	167,360,11	167,360,11	167,360,11	669,440,44
Mr. C Christodoulou	70,871,29	70,871,29	70,871,29	70,871,29	283,485,16
Mr. B F Mohale	53,960,49	53,960,49	53,960,49	53,960,49	215,841,96
Ms. M J Vuso	62,456,13	62,456,13	62,456,13	62,456,13	249,824,52
Mr. L J Ledwaba	35,755,50	35,755,50	35,755,50	52,666,30	159,932,80
Dr. B Ssamula	59,543,86	59,543,86	59,543,86	59,543,86	238,175,44
Mr. G Van Heerden	47,649,68	47,649,68	47,649,68	47,649,68	190,598,72
Mr. E Bunyenyezi	47,649,68	47,649,68	0,00	0,00	95,299,36
Mr. V Cuba	47,649,68	47,649,68	0,00	0,00	95,299,36

Company Secretary's Compliance Statement

In terms of Section 88(2)(e) of the Companies Act No 71 of 2008, I certify that the Company has lodged with the Registrar of Companies all such returns as are required of a state owned company in respect of the year ended 31 March 2012 and that to the best of my knowledge and belief, all such returns are true, correct and up to date.

Corporate Governance Report
(continued)

Shareholders compact

Requirement / Audit Finding

The Framework for Managing Program Performance Information, Chapter 2 requires the performance information reported in accountability documents to enable the Executive Authority and the public to track performance, and to hold it accountable.

Performance information needs to be available to managers at each stage of the planning, budgeting and reporting cycle so that they can adopt a results-based approach to managing service delivery. This approach emphasizes planning, execution and evaluation.

SAX KPI		Full Year		
KPI	**Unit of measure**	**Compact**	**Actual**	**Achieved / Not Achieved**
Profitability				
EBIT	Percentage	9%	(9,88%)	Not achieved
This is attributed to Operating Expenses being higher than Revenue; steep increases in Fuel, Airport ATNS charges led to the profit target not being met.				
Turnover	Rm	2 032	2 044	Achieved
Though Turnover has increased by 18% year on year; the Negative Variance to Target is 5.9%. This is as a result of not achieving core revenue drivers such as Passengers carried and Cargo.				
Net Profit(Loss) after tax	Rm	127	-314	Not achieved
Financial value creation				
Passenger Load factor	Percentage	61%	61%	Achieved
Passengers Carried (in Millions)	Number	1,71	1,58	Not Achieved
RASK	cents	1,11	1,04	Not Achieved
RASK was not achieved as a result of actualising a lower average Yield than target in an attempt to attract additional passengers.				
CASK	cents	0,99	0,89	Achieved
Cargo as a % of Operating Income	Percentage	1,5%	0,8%	Not Achieved
Cargo Revenue increased by 14% from the opposing period; however, SA Express was unable to meet the set target as a result of a restrictive Commercial Agreement.				
Domestic Market Share %	Percentage	10,3%	11,0%	Achieved
Fleet				
Daily block Hours per Aircraft (weekdays)	Hours	8,0	7,8	Not Achieved
The negative variance of 20 minutes is as a result of the entry of the new Q400 Fleet which operates a similar Sector than the previously owned DH8-300s at an increased flight time.				
On-time performance (within 15 min of scheduled departure time)	Percentage	91%	88%	Not Achieved
The availability of Fleet was impacted by the transition phase of the fleet renewal programme though OTP has improved year on year.				
Human Capital				
Training Spend	Percentage	8,5%	5,2%	Not Achieved
Total Training spend as a % of Payroll has decreased year on year from 8.7% in the prior year to the current actual of 5.2% as a result of a R10m reduction in Training Spend due to Cost Containment initiatives and a 16% increase in Payroll as a result of Collective Agreements.				
Skills Development				
Number of technical apprentice	Number	30	30	Achieved
Commentory: The negative variance is a result of difficulties to retain candidates; though the intake met the target (measured on intake).				
Support the Black pilot training programmes MACH I	Number	10	18	Achieved
Commentory: The negative variance is a result of difficulties to retain candidates; though the intake met the target (measured on intake).				
Support the Black pilot training programmes MACH II	Number	6	8	Achieved
Number of Experiential Learners	Number	20	6	Not Achieved
Learners in SA Express Learnership Programme	Number	36	0	Not Achieved
Inability to recruit in the absence of a formal Leanership programme				

SA Express has met 41% of targets set.

06 Financial Statements

For year ended 31 March 2012

Report on the Financial Statements

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

LEVEL OF ASSURANCE

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 of South Africa, The Public Finance Management Act of 1999, Treasury Regulations, and Protocol on Corporate Governance in the Public Sector (2002).

PUBLISHED
2013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Report of the Auditor-General to parliament on South African Express Airways Soc Limited

Introduction

1. I was engaged to audit the financial statements of South African Express Airways SOC Limited (SA Express) set out on pages 61 to 87 which comprise the statement of financial position as at 31 March 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The board of directors' responsibility for the financial statements

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

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

4. The basis for the disclaimer of opinion can be found in paragraphs 5 to 10 below.

Limitation of scope

5. As a result of the reconstruction of the financial statements for the year ended 31 March 2011 as described in the Directors' report paragraph 16, the prior year audit opinion was disclaimed. The entity could not provide sufficient appropriate audit evidence to indicate that the basis for the disclaimer of opinion on the financial statements for the year ended 31 March 2011 had been resolved for account balances, class of transactions and disclosure notes as described in sub-paragraphs (a) to (g) below. The entity's records did not permit the application of alternative auditing procedures. Consequently, I was not able to obtain sufficient appropriate audit evidence to support the financial statement account balances, class of transactions and disclosure notes for the financial year ended 31 March 2012 as described in sub-paragraphs (a) to (g) due to the entity's inadequate record keeping.

a. Property, plant and equipment - I was not able to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to property, plant and equipment stated at R181,574,059 (2011: R145,343,073) in note 4 to the financial statements.

b. Inventories - I was not able to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to inventories stated at R77,862,540 (2011: R75,491,661) in note 9 to the financial statements.

c. Non-current assets held for sale - I was not able to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to non-current assets held for sale stated at R71,088,662 (2011: R241,696,475) in note 13 to the financial statements.

d. Investments in Congo Express Sprl - I was not able to satisfy myself as to the existence, completeness, valuation and rights pertaining to the total unrecognised losses stated at R19,091,307 (2011: R19,091,307) in note 6 to the financial statements.

e. Trade and other receivables - I was not able to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to the deposits, employee costs in advance, maintenance reserve, prepayments and VAT attributable to foreign jurisdictions, stated at R95,279,684 (2011: R109,690,642) in note 11 to the financial statements.

f. Trade and other payables - I was not able to satisfy myself as to the existence, completeness, valuation and allocation of and obligations pertaining to passenger service charges included in trade payables amounting to R12,171,107 (2011: R26,255,697) in note 18 to the financial statements.

g. Taxation effect - Due to the possible effects of the limitations as described in sub-paragraphs (a) to (f) above, I was unable to obtain sufficient appropriate audit evidence for the account balances and classes of transactions considered in the computation of the unrecognised deferred tax asset for the financial year ended 31 March 2012.

Consequently, I was not able to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to the unrecognised deferred tax asset stated at R122,032,441 (2011: R26,971,766) in notes 17 and the deferred tax liability stated at R nil (2011: R13,736,726) in note 23 to the financial statements.

Profit on sale of assets

6. As a result of the limitation described in sub-paragraph 5(a) above, I was unable to obtain sufficient appropriate audit evidence for the profit on sale of assets. The entity did not maintain adequate records of the stated values of aircrafts sold and I was unable to confirm the valuation of these aircrafts by alternative means. Consequently,
I was not able to satisfy myself as to the accuracy and classification of the profit on sale of assets stated at R120,191,578 (2011: R nil) in the statement of comprehensive income.

Irregular, fruitless and wasteful expenditure

7. Section 55(2)(b)(ii) of the PFMA requires the entity to include in its financial statements particulars of all irregular, fruitless and wasteful expenditure that had occurred during the financial year.
As described in the Directors' report paragraph 13, the entity did not have an adequate system for identifying and recognising all irregular, fruitless and wasteful expenditure and there were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that all irregular, fruitless and wasteful expenditure had been properly recorded in note 30 to the financial statements. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of irregular, fruitless and wasteful expenditure relating to the current and prior financial year.

Aircraft structures

8. The entity did not recognise special purpose entities in accordance with IFRS, IAS 27, Consolidated and Separate financial statements read with SIC 12, Consolidation - Special purpose entities. As the entity did not maintain adequate records of special purpose entities initiated to house certain aircraft structures as stated in the Directors' report paragraph 14, I was not able to satisfy myself as to the existence, completeness, valuation and allocation of and rights or obligations pertaining to of the special purpose entities in the financial statements.

Commitments

9. The entity did not correctly disclose the operating lease requirements in the correct period in accordance with IFRS, IAS17, Leases. The amount disclosed as part of the operating lease requirements for the year ended 31 March 2012 in note 33 for the period payable within 2-5 years is understated by R206 256 802 and the period over 5 years is overstated by the same amount.

Aggregation of immaterial uncorrected misstatements

10. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position, statement of comprehensive income and the notes to the financial statements:
    - The entity did not recognise an internally developed computer package in accordance with IFRS, IAS 38, Intangible assets.

    The computer packages under development were incorrectly recognised as intangible assets

Report on the Financial Statements

(continued)

in the prior year. Consequently, the cost of intangible assets transferred per note 5 to the financial statements reflected at R6,354,938 is overstated by R4,036,218 and the accumulated losses are understated by the same amount.

In addition, I was unable to obtain sufficient appropriate audit evidence and was unable to confirm or verify the following elements by alternative means:

- Intangible assets reflected as R3,200,354 as part of note 5 to the financial statements.
- Repairs and maintenance expenditure included in the operating expenses stated at R157,382,951 as part of note 21 to the financial statements.
- Other income reflected as R24 351 629 in the statement of comprehensive income.

As a result, I was not able to satisfy myself as to the occurrence, completeness, accuracy, cut-off and classification of repairs and maintenance and other income in the financial statements.

Disclaimer of opinion

11. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

I draw attention to the matters in paragraphs 12 and 13 below. My opinion is not modified in respect of these matters.

Financial sustainability

12. The Directors' report paragraph 1 indicates that the entity incurred a net loss of R313 882 535 during the year ended 31 March 2012 and R186,967,692 during the year ended 31 March 2011. Furthermore, the Directors' report paragraph 2 states that the entity received a government guarantee amounting to R539 million to serve as security against its debts.

Material impairments

13. As disclosed in notes 4 and 5 to the financial statements, material impairments to the amount of R64,804,287 were incurred as a result of impairments to property, plant and equipment (aircraft and rotables held for continuing use) as well as intangible assets.

Additional matters

I draw attention to the matters in paragraphs 14 to 16 below. My opinion is not modified in respect of these matters.

Prior year audit conducted by a predecessor auditor

14. The financial statements of the prior year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act. A disclaimer of opinion was expressed on the financial statements prepared for the year ended 31 March 2011 due to the matters as stated in paragraph 5 of this report.
15. The reportable irregularities raised by the predecessor auditor in terms of section 44 and 45 of the Auditing Profession Act, 2005 (Act No. 26 of 2005) have been closed.

Other reports required by the Companies Act

16. As part of my audit of the financial statements for the year ended 31 March 2012, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of determining whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. On reading these reports I did not identify material inconsistencies between the reports and the audited financial statements in respect of which I have expressed a disclaimer of opinion. I have not audited these reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

18. I performed procedures to obtain evidence about the usefulness and reliability of the information in

the annual performance report as set out on page 46 of the annual report.

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

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

Usefulness of information

21. The material findings are as follows:
    Performance indicators not well defined
22. The National Treasury Framework for managing programme performance information (FMPPI requires that indicators should have clear, unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 30% (>20%) of the indicators relevant to the objectives set for profitability and human capital were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was not aware of the requirements of the FMPPI.

Reliability of selected objectives in the annual performance report

23. The material findings are as follows:
    Completeness
24. The FMPPI requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. Source information for 33% (>20%) of the actual reported performance, for the human capital objective regarding the target for support of the black pilot training programmes MACH I, was not completely recorded. This was due to an improper document management system across the human capital and strategy and revenue management unit with regard to actual performance achievements.

Additional matter

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

Achievement of planned targets

26. Of the total number of 17 targets planned for the year, 10 were not achieved during the year under review. This represents 59% (>20%) of total planned targets that were not achieved during the year under review. The reasons for not achieving the targets are disclosed on page 46 of the annual report.

Compliance with laws and regulations

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

Annual financial statements, performance and annual report

28. The accounting authority did not submit the financial statements for auditing within two months after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.
29. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were subsequently provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimed audit opinion. The financial statements submitted for auditing were therefore not fully prepared in accordance with the prescribed financial reporting framework due to the material misstatements described and supported by full and proper records as required by section 55(1) (a) and (b) of the PFMA and section 29(1)(a) of the Companies Act of South Africa.

Procurement and contract management

30. The procurement processes did not comply with the requirements of a fair supply chain management (SCM) system as per section 51(1)(a (iii) of the PFMA, in that certain goods and services of a transaction value below R300,000 for quotations and above R300,000 for tenders were procured without inviting competitive bids.
31. Sufficient appropriate audit evidence could not be obtained to confirm that certain quotations were awarded to bidders based on points given for criteria stipulated in the original invitation for quotations, as required by section 51(1)(a)(iii) of the PFMA.

Report on the Financial Statements
(continued)

32. Sufficient appropriate audit evidence could not be obtained to confirm that certain goods or service were procured through a procurement process which is fair, equitable, transparent and competitive as required by section 51(1)(a)(iii) of the PFMA.

Expenditure management

33. The accounting authority did not take effective steps to prevent irregular and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA due to the lack of a formal policy and procedure addressing the processes and requirements with regards to irregular and fruitless and wasteful expenditure. The entity has since developed and implemented such a policy as stated in the director's report paragraph 13.

Asset management

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

Internal control

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

Leadership

36. Ongoing monitoring and supervision undertaken to enable management to determine whether internal controls over financial reporting is present and functioning were not adequate, which lead to material adjustments to the annual financial statements, failure to achieve the majority of predetermined objectives and non-compliance with laws and regulations.

Financial and performance management

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

Governance

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

OTHER REPORTS

Investigations

39. An investigation was conducted by an external firm at the request of the entity in response to an allegation made through the company's fraud hotline regarding the original audited financial statements for the financial year ended 31 March 2011 and an irregular payment to a supplier. The outcome of the investigation indicated that there was no proven intent by any employee of the entity to misstate the financial statements for the year ended 31 March 2011. The investigation recommended certain corrective actions which the entity had to take in order to strengthen its internal controls.

Auditor-General

Auditor - General

Financial Statements

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 of South Africa (Companies Act), The Public Finance Management Act of 1999 (PFMA), Treasury Regulations, and Protocol on Corporate Governance in the Public Sector (2002), the Protocol 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 all applicable International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board (IASB), the requirements of the Companies Act, PFMA, Treasury Regulations and the Protocol and other mandated legislation for state owned entities. External auditors are engaged to express an independent opinion on the annual financial statements.

The Annual Financial Statements are prepared in accordance with all applicable IFRS and Interpretations issued by the IASB, the requirements of the Companies Act, PFMA, Treasury Regulations and the Protocol and other mandated legislation for state owned entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of 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. The 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, there are limitations on reliance on internal controls.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2012 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

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 52.

The Annual Financial Statements set out on pages 49 to 87, which have been prepared on the going concern basis, were approved by the board and were signed on its behalf by:

A. Mabizela

I. Ntshanga

Financial Statements
(continued)

Directors' Report

The directors submit their report for the year ended March 31, 2012.

1. REVIEW OF ACTIVITIES

Main business and operations

The Company is engaged in aviation and operates principally in South Africa, 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 loss of the company was R313,882,535 (2011: R186,967,692 loss), after taxation of R0.00 (2011: R13,736,726).

2. GOING CONCERN

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

- Assets exceed liabilities;
- The company is able to settle its obligations as they become due;
- The company, as a result of the breach of the terms of some of its contracts, applied for and received a R539 million government guarantee to serve as security against its debts;
- Negotiations have been and continue to be held with financial institutions to revise some of the clauses considered onerous, including the R1 billion net equity that the company is required to have at all times;
- No legislative, regulatory or policy changes that negatively affect and impact the company have been effected during the period;
- Impairments on assets have been as a result of the reduction in the market values of aircraft and these have since been sold;
- The company has made significant cost savings and further savings are expected to be made in the foreseeable future;
- No suppliers have withdrawn their support to the company;
- As a result of the above, the Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. EVENTS AFTER THE REPORTING PERIOD

The board and the external auditors were rotated at the Annual General Meeting held on 13 August 2012. Refer to points [8] and [12] of this report for full details.

Due to the withdrawal and reconstruction of the 2011 Annual Financial Statements, the finalisation of these Annual Financial Statements were delayed.

The company sold some of the non current assets held for sale during the 2012/13 financial year.
The Shareholder provided the company with a government guarantee of R539 million covering the period 1 February 2013 to 28 February 2015.

The directors are not aware of any other matter or circumstance arising since the end of the [2011/2012] financial year.

4. DIRECTORS' INTEREST IN CONTRACTS

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

5. AUTHORISED AND ISSUED SHARE CAPITAL

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

6. BORROWING LIMITATIONS

In terms of the Memorandum of I ncorporation of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate, within the mandate of the PFMA.

7. DIVIDENDS

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

8. DIRECTORS

The directors of the company during the year under review were as follows:

Name	Changes
L.G. Boyle Chairperson, Nonexecutive	Resigned 13 August 2012
C. Christodoulou Nonexecutive	Resigned 13 August 2012
L. Ledwaba Nonexecutive	Resigned 13 August 2012
B.F. Mohale Nonexecutive	Resigned 21 July 2012
M.J. Vuso Nonexecutive	Resigned 13 August 2012
I. Ntshanga CEO, Executive	Appointed, 01 September 2010
B. Ssamula Nonexecutive	Appointed, 03 September 2007

THE DIRECTORS OF THE COMPANY AS AT THE DATE OF THIS REPORT ARE AS FOLLOWS:

B. Dibate Nonexecutive	Appointed 13 August 2012
K. Nondumo Nonexecutive	Appointed, 13 August 2012
N. Moshimane Nonexecutive	Appointed, 13 August 2012
E. Mabyana Nonexecutive	Appointed, 13 August 2012
N. Gxumisa Nonexecutive	Appointed, 13 August 2012
G. Mothema Nonexecutive	Appointed, 13 August 2012
I. Ntshanga CEO, Executive	Appointed, 01 September 2010
B. Ssamula Nonexecutive	Appointed, 03 September 2007
ZZ Ngwenya CFO, Executive	Appointed 01 December 2012

9. SECRETARY

The Acting Company Secretary is Ms M Gie. The previous Company Secretary Elize Isenshmid's resignation was effective 30 April 2013

Business address

4th Floor offices, West Wing,
Pier Development, O.R Tambo
International Airport
1627

Postal address

P.O Box 101
O.R Tambo International Airport
1627

10. SHAREHOLDER

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

11. INTERNAL AUDITORS

KPMG was appointed as the internal auditors during 2008 for a period of three (3). This contract was renewed for a further period of two (2) years.

12. EXTERNAL AUDITORS

During the Annual General Meeting held on 13 August 2012, Nkonki Incorporated was rotated and the Auditor General of South Africa (AGSA) was appointed in accordance with section 90 of the Companies Act, the PFMA, Treasury Regulations, and the Protocol.

13. MATERIALITY AND SIGNIFICANT FRAMEWORK

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

Irregular expenditure was incurred as the procurement processes were not adhered to in the procurement of goods and services.

The Company also incurred interest on late payment of invoices. The late payment of the invoices was due to late approval of such invoices. The penalties for the late exchange of rotables was due to the fact that the rotables were due to be returned at that time, they were still on the aircraft and it made economic sense to delay the rotables' return than to ground the aircraft and inconvenience passengers in the process.

As part of its expansion strategy, SA Express has identified Durban as a platform to grow its footprint into the SADC region. To this end, a Section 54(2) Application was lodged with the Minister of Public Enterprises for an approval to establish the Durban base.

An approval was granted by the Minister during May 2012.

Financial Statements
(continued)

14. AIRCRAFT STRUCTURES
South African Express; then (Pty) and now SOC Limited ("South African Express") is a capital and income beneficiary of two Special Purpose Vehicles (SPVs)'.

Adequate accounting records of these SPVs were not necessarily maintained and as such South African Express was not able to determine the impact on its annual financial statements. The following information is relevant on the two SPVs:

- SAX Partnership Trust: This trust has audited financial statements and reflects a net asset value of Nil and an amount of R 1 million due to South African Express The receivable has been fully provided for by South African Express.
- SAX Number one Trust: South African Express Airways has appointed consultants to update all outstanding financial statements of the trusts. The last financial statements audited and approved by the Trustees are those of March 2005. The projected balance sheet as at 31 March 2012 reflects a net asset value of R Nil.

The SPVs as at 31 March 2012 are dormant. South African Express is currently reviewing the SPV to determine and to conclude how the SPVs should be accounted for in its prior financial statements, and to this end, an opinion has been sought.

15. STATEMENT ON PREDETERMINED OBJECTIVES
As per the Framework for Managing Program Performance Information, chapter 2 requires the performance information reported in accountability documents to enable the Executive Authority and the public to track performance, and to hold it accountable. The company contracted on seventeen (17) objectives and seven (7) of them were achieved, and the directors, save for this unsatisfactory performance against targets, believe that the annual financial statements, in accordance with section 55 (2) (a) of the PFMA, fairly present the state of affairs of the company, its business, its financial results, its performance against predetermined objectives and its financial position as at 31 March 2012.

16. 2011 DISCLAIMED BALANCES AND TRANSACTIONS AND 2012 UNCORRECTED MISSTATEMENTS
Seven accounts (three balance sheet, 4 income statement) and a disclosure note were disclaimed during the audit of the 2011 financial year. Several accounts and disclosure note misstatements relating to the 2012 financial year's audit were not corrected.

For both these, a project plan has been put in place to resolve these and a majority of them will be resolved during the 2013 financial year and some during the 2014 financial year. The reason for the different timelines is due to the complexities and the amount of information required to resolving the misstatements.

17. CHANGES IN ACCOUNTING POLICY
No accounting policy changes were made during the year ended 31 March 2012.

A. Mabizela **I. Ntshanga**

Statement of Financial Position 31 March 2012

Figures in Rands	Note(s)	2012	2011
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	181,574,059	145,343,073
Intangible assets	5	3,200,354	8,756,651
Other financial assets	8	69,081,116	64,642,240
Deferred tax	17	-	-
		253,855,529	**218,741,964**
Current Assets			
Inventories	9	77,862,540	75,491,661
Current tax receivable	10	99,736,233	92,481,987
Trade and other receivables	11	430,415,373	419,896,801
Cash and cash equivalents	12	23,716,852	88,341,561
		631,730,998	**676,212,010**
Non current assets held for sale	13	71,088,662	241,696,475
Total Assets		**956,675,189**	**1,136,650,449**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	501,837,518	501,837,518
Shareholder convertible loan	15	356,954,972	356,954,972
Accumulated loss		(710,148,506)	(396,265,973)
		148,643,984	**462,526,517**
LIABILITIES			
Non-Current Liabilities			
Other financial liabilities	16	200,000,000	200,000,000
Current Liabilities			
Trade and other payables	18	345,309,541	283,360,955
Neutrality advance	19	177,266,915	177,266,915
Bank overdraft	12	85,454,749	13,496,062
		608,031,205	**474,123,932**
Total Liabilities		**808,031,205**	**674,123,923**
Total Equity and Liabilities		**956,675,189**	**1,136,650,449**

Financial Statements

(continued)

Statement of Comprehensive Income 31 March 2012

Figures in Rands	Note(s)	2012	2011
CONTINUING OPERATIONS			
Revenue	20	2,019,626,208	1,643,572,292
Other income		24,351,629	93,459,715
Operating expenses		**(2,363,057,666)**	**(1,878,847,916)**
Operating (loss)	21	(319,079,829)	(141,815,909)
Investment revenue	22	8,504,744	12,593,293
Foreign exchange differences	34	(651,710)	1,371,201
Impairment of PPE	35	(104,793,358)	(61,238,415)
Profit on sale of assets		120,191,578	-
Finance costs	31	(18,053,960)	(11,596,469)
(Loss) before taxation		**(313,882,535)**	**(200,686,299)**
Taxation	23	-	13,736,726
(Loss) from continuing operations		**(313,882,535)**	**(186,949,572)**
Discontinued operations			
Loss from discontinued operations		-	(18,120)
(Loss) for the year		**(313,882,535)**	**(186,967,693)**
Other comprehensive income		-	-
Total comprehensive (loss) income		**(313,882,535)**	**(186,967,693)**
Attributable to:			
Owners of the parent:			
(Loss) for the year from continuing operations		(313,882,535)	(186,949,573)
Loss for the year from discontinuing operations		-	(18,120)
(Loss) for the year attributable to owners of the parent		**(313,882,535)**	**(186,967,693)**
Total comprehensive (loss) attributable to:			
Owners of the parent		(313,882,535)	(186,967,693)

Statement of Changes in Equity 31 March 2012

	Share capital	Share premium	Total share capital of equity	Other components	Retained earnings	Total equity
Balance at April 01, 2010	**452**	**501,837,066**	**501,837,518**	**356,954,972**	**(209,298,280)**	**649,494,210**
Changes in equity						
Total comprehensive income for the year	-	-	-	-	(186,967,693)	(186,967,693)
Total changes	-	-	-	-	(186,967,693)	(186,967,693)
Balance at April 01, 2011	**452**	**501,837,066**	**501,837,518**	**356,954,972**	**(396,265,973)**	**462,526,517**
Changes in equity						
Total comprehensive income for the year	-	-	-	-	(313,882,535)	(313,882,535)
Total changes	-	-	-	-	(313,882,535)	(313,882,535)
Balance at March 31, 2012	**452**	**501,837,066**	**501,837,518**	**356,954,972**	**(710,148,506)**	**148,643,984**
Note(s)	14	14	14	15		

Statement of Cash Flows 31 March 2012

	Note(s)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,987,382,090	1,557,647,282
Cash paid to suppliers and employees		(2,176,383,665)	(1,668,439,650)
Cash (used in) operations	25	(189,001,575)	(110,792,368)
Interest income		8,504,744	12,593,293
Finance costs		(18,053,960)	(11,596,469)
Tax paid	26	(7,254,246)	(35,893,440)
Net cash from operating activities		**(205,805,037)**	**(145,688,984)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(112,317,396)	(19,012,990)
Sale of property, plant and equipment	4	-	-
Purchase of other intangible assets	5	(1,364,265)	(538,070)
Net movement in financial assets		(5,090,586)	-
Additions to non current assets held for sale		(31,349,661)	-
Proceeds from sale of assets		219,343,549	-
Net cash from investing activities		**69,221,641**	**(19,551,060)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		-	172,320,912
Net cash from financing activities		**-**	**172,320,912**
Total cash movement for the year		**(136,583,396)**	**7,080,868**
Cash at the beginning of the year		74,845,499	67,764,631
Total cash at end of the year	**12**	**(61,737,897)**	**74,845,499**

Financial Statements
(continued)

Accounting Policies

1. Presentation of Annual Financial Statements
The Annual Financial Statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board (IASB), the requirements of the South African Companies Act 71 of 2008, Public Finance Management Act of 1999, Treasury Regulations and Protocol on Corporate Governance in the Public Sector (2002) and other mandated legislation for state owned entities. A summary of significant accounting policies is set out in note 1. The Annual Financial Statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Plant and machinery	5 years
Furniture and fixtures	3 years
Motor vehicles	5 years
IT equipment	3 years
Leasehold improvements (Limited to term of lease)	20 years
-Airframes	20 years
-Interior seats	8 years
-Engines	20 years
-Engine overhauls	5 years
-Rotables	5 years
-C Checks	2 years

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

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

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

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

1.2 Related parties
Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party, jointly control or exercise significant influence in the party in making financial and operating decisions, vice versa, or where the Company and the party are subject to common control or common significant influence.

Related parties also include key management personnel who are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

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

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

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

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

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

1.4 Maintenance plans (Including power by the hour agreements)
Payments made to a service provider under full maintenance programs (FMP's) are recognised as an expense when incurred.

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

1.6 Intangible assets
An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

Accounting Policies

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 and any changes are accounted for as a change in estimate.

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

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

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

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

Item	Useful life
Trademarks Design Cost	5 years
Computer software, internally generated	3 years

1.7 Investments in associates

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

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

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

1.8 Financial instruments

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 to group companies are classified as loans and receivables.

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

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

Derivatives

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

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

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

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

Held to maturity
These financial assets are initially measured at fair value plus direct transaction costs.

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

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

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

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

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

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

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

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

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

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

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

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

Finance leases – lessee
Finance leases are recognised as assets and liabilities in the as at 31 march 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 as at 31 March as a finance lease obligation.

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

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

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

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

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.
The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

1.12 Noncurrent assets held for sale
Non current assets or disposal groups comprising assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Assets or a component of a disposal group classified as such are measured using the applicable IFRS immediately before classification. Once reclassified, the assets (or disposal group) are measured at the lower of their carrying amount or fair value less costs to sell at the date when it is initially classified as held for sale.
A non current asset is not depreciated or amortised once it is classified as held for sale, or while it is part of a disposal group classified as held for sale. In addition, equity accounting of equity accounted investees ceases once classified as held for sale.

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

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

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

Irrespective of whether there is any indication of impairment, the company also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

This impairment test is performed during the annual period and at the same time every period.
-tests goodwill acquired in a business combination for impairment annually..

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

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

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

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

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

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

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

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

1.14 Share capital and reserves

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

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

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

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

1.15 Financial Guarantee Contracts

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

Provisions are not recognised for future operating costs or losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. A contract is regarded as onerous when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations.

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The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with it. Before a provision is established, the company recognises any impairment loss on the assets associated with the contract.

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

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

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

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

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

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

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

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

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

1.20 Critical judgements involving estimates applied by the Company in applying its accounting policies

Useful lives, depreciation method, residual and recoverable values of property, aircraft and equipment
The Company assesses the useful lives, depreciation method, residual recoverable values of property, plant and equipment at each reporting date. The useful lives of other assets and the depreciation method remained unchanged as they were deemed to be appropriate. Residual values were revised this year from zero percent in the prior years to 11% during the year under review. Useful lives and amortisation method of intangible assets

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

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

Notes to the Annual Financial Statements

2. Application of new and Revised International Financial Reporting Standards (IFRS)

The annual financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board (IASB), the requirements of the South African Companies Act 71 of 2008, Public Finance Management Act of 1999, Treasury Regulations and Protocol on Corporate Governance in the Public Sector (2002) and other mandated legislation for state owned entities on a basis consistent with the prior year except for the adoption of the following new or revised standards.

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the companyís accounting periods beginning on or after April 01, 2012 or later periods:

Amendments to IAS 19 Employee Benefits: Defined benefit plans

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

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

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

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

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

IFRS 9 (2009) Financial Instruments

IFRS 9 will be adopted by SA Express Airways for the first time for its financial reporting period ending 31 March 2016. The standard will be applied retrospectively, subject to transitional provisions. IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.
IFRS 9 (2009) may change the classification of financial assets from amortised cost measurement to fair value depending on the characteristics of the relevant receivable.

IFRS 9 (2010) Financial Instruments

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

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

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

- fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI).

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The remaining amount of the fair value change is recognised in profit or loss.
However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented on profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

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

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives.
IFRS 9 (2010) is not expected to change the manner in which the current financial liabilities are accounted and measured.

IFRS 12 Disclosure of Interest in Other Entities
IFRS 12 will be adopted by SA Express Airways for the first time for its financial reporting period ending 31 March 2014. IFRS 12 combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities.

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

- The nature of, and risks associated with, an entity's interests in other entities, and
- The effects of those interests on the entity's financial position, financial performance and cash flows.

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

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

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

- Fair value is an exit price
- Measurement considers characteristics of the asset or liability and not entityspecific characteristics
- Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants
- Price is not adjusted for transaction costs
- Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs
- The three-level fair value hierarchy is extended to all fair value measurements

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

Improvements to IFRSs 2010
Management will assess the impact of each improvement prior to adoption.

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

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

This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. This amendment will be applied retrospectively and the comparative information will be restated.

4. Property, Plant and Equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold improvements aircraft	39,945,188	(13,978,163)	25,967,025	16,404,770	(11,731,152)	4,673,618
Plant and machinery	27,389,865	(25,252,343)	2,137,522	25,908,372	(22,946,753)	2,961,619
Motor vehicles	3,456,552	(3,207,903)	248,649	3,932,881	(2,985,609)	947,272
Rotables	108,939,470	(46,565,897)	62,373,573	-	-	-
Land, buildings and structures	1,199,280	(608,662)	590,618	672,172	(514,100)	158,072
Aircraft	356,255,624	(266,141,577)	90,114,047	373,408,627	(236,806,672)	136,601,955
Containers	5,650	(4,261)	1,389	5,650	(5,113)	537
Capital work in progress	141,236	-	141,236	-	-	-
Total	537,332,865	(355,758,806)	181,574,059	420,332,472	(274,989,399)	145,343,073

Reconciliation of property, plant and equipment 2012

Opening balance	Additions	Scrapping	Transfers/ Engine overhauls	Reversals to opening balance	Disposals	Transfers to NCAHS	Depreciation	Impairment loss	Total
Leasehold improvements Aircraft									
4,673,618	-	-	32,748,224	-	-	-	(11,454,817)	-	25,967,025
Plant and machinery									
2,961,619	1,341,025	-	-	-	-	-	(2,164,501)	(621)	2,137,522
Motor vehicles									
947,272	197,860	-	-	-	(674,189)	-	(222,294)	-	248,649
Rotables									
-	25,868,490	(4,539,117)	136,244,750	-	-	(27,305,281)	(46,565,897)	(21,329,372)	62,373,573
Land, buildings and structures									
158,072	-	-	527,108	-	-	-	(94,562)	-	590,618
Aircraft									
136,601,955	25,221,478	-	-	44,179	-	-	(29,379,085)	(42,374,480)	90,114,047
Containers									
537	-	-	-	1,135	-	-	(283)	-	1,389
Capital work in progress									
-	59,688,543	-	(59,547,307)	-	-	-	-	-	141,236
145,343,073	**112,317,396**	**(4,539,117)**	**109,972,775**	**45,314**	**(674,189)**	**(27,305,281)**	**(89,881,439)**	**(63,704,473)**	**181,574,059**

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Reconciliation of property, plant and equipment 2011

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

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

5. INTANGIBLE ASSETS

Reconciliation of intangible assets 2012

	Opening balance	Additions	Transfers	Amortisation	Impairment loss	Total
Computer packages	1,436,561	1,364,265	6,354,938	(5,873,100)	(578,143)	2,704,521
Computer packages under development	6,725,090	-	(6,354,938)	-	(370,152)	-
Uniform design	595,000	-	-	(99,167)	-	495,833
Total	**8,756,651**	**1,364,265**	**-**	**(5,972,267)**	**(948,295)**	**3,200,354**

Reconciliation of intangible assets 2011

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

6. INVESTMENTS IN CONGO EXPRESS SPRL

Summary of groups interest in associate

	2012	2011
Total assets	-	231,928
Total liabilities	-	19,323,235
Revenue	-	15,547,392
Loss	-	19,091,307

Associates with different reporting dates

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

Unrecognised share of losses of associates

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

The Board of SA Express Airways passed a resolution on 11 November 2010 and section 54(2) PFMA approval was granted to SA Express to disposal its shareholding in Congo Express Sprl.

7. LOANS TO CONGO EXPRESS SPRL

Associates

	2012	2011
Congo Express Sprl (COX)	-	3,659,491
	-	3,659,491
Impairment of loan	-	(3,659,491)
	-	-

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

The Board of SA Express Airways passed a resolution on 11 November 2010 and section 54(2) PFMA approval was granted to SA Express to disposal its shareholding in Congo Express Sprl.

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8. OTHER FINANCIAL ASSETS

Held to maturity

	2012	2011
Standard Bank Investment The investment is held for a fixed term ending March 2015, at a revolving fixed rate of JBAR +.99 basis points.	69,081,116	64,642,240
Total	69,081,116	64,642,240

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

The deposit was provided as a security to Standard Bank for liabilities of aircraft structures.

9. INVENTORIES

Associates

	2012	2011
Inventories	80,669,295	86,153,505
Inventories (write downs)	(2,806,755)	(10661844)
Total	**77,862,540**	**75,491,661**

The inventories balance is not pledged as security for the Company's debts.

10. CURRENT TAX RECEIVABLE

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

Reconcilliation of tax receivable

	2012	2011
Opening Balance	92,481,987	84,496,961
Provisional tax overpayments	7,254,245	7,985,026
Total	**99,736,232**	**92,481,987**

Refer to note 26 with regards to tax paid for cash flow purposes.

11. TRADE AND OTHER RECEIVABLES

	2012	2011
Deposits	20,110,918	12,924,532
Employee costs in advance	14,623,322	5,044,168
Maintenance reserve	34,969,202	48,626,357
Prepayments	17,372,031	11,445,785
Trade receivables	335,135,689	310,206,149
VAT	8,204,211	31,649,809
Total	**430,415,373**	**419,896,800**

Trade and other receivables past due but not impaired

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

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

	2012	2011
1 month past due	1,390,965	2,745,307
3 months past due	1,463,940	5,041,826

Trade and other receivables impaired

As of March 31, 2012, trade and other receivables of R3,330,550 (2011: R 1,271,171;) were impaired and provided for.

The amount of the provision was R (1,697,232) as of March 31, 2012.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2012	2011
Cash on hand	54,999	73,635
Short term deposits	23,661,853	88,267,926
Bank overdraft	(85,454,749)	(13,496,062)
Current assets	23,716,852	88,341,561
Current liabilities	(85,454,749)	(13,496,062)
The total amount of undrawn facilities available for future operating activities and commitments	30,545,251	102,825,946

13. NON CURRENT ASSETS HELD FOR SALE

Reconcilliation of non current assets held for sale 2012

	Opening balance	Additions	Disposals	Transfers to PPE	Transfers from PPE	Scrapping	Total
Rotables	131,344,422	4,900,328	-	(136,244,750)	27,305,280	-	27,305,280
Aircraft	110,352,053	31,349,661	(90,531,836)	-	-	(7,386,496)	43,783,382
	241,696,475	36,249,989	(90,531,836)	(136,244,750)	27,305,280	(7,386,496)	71,088,662

	Opening balance	Transfers from PPE	Disposals	Additions	Total
Rotables	-	131,344,422	-	-	131,344,422
Aircraft	-	110,352,053	-	-	110,352,053
	-	241,696,475	-	-	241,696,475

On November 11, 2010, the board of directors announced a plan to dispose of the fleet and subsequent PFMA approvals were obtained. The disposal is consistent with the company's long term policy to replace its aviation fleet with more technically advanced and updated aircraft.

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

However management remained committed to its plan to sell the aircrafts, and the were sold subsequent to year end.

Financial Statements
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14. SHARE CAPITAL

Authorised

	2012	2011
1000 Ordinary shares of R1 each	1,000	1,000

Reconciliation of number of shares issued:		
Reported as at April 01	452	452

Issued		
452 Ordinary shares of R1 each	452	452
Share premium	501,837,066	501,837,066
	501,837,518	**501,837,518**

15. SHAREHOLDER CONVERTIBLE LOAN

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

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

16. OTHER FINANCIAL LIABILITIES

Held at amortised cost

	2012	2011
Nedbank Ltd This loan represents a revolving credit facility repayable as follows: R100 million in June 2015; R50 million in October 2015 and the remaining R50 million in December 2015. The interest on the loan is payable quarterly at a rate of 7.3%.	200,000,000	200,000,000

Non current liabilities		
At amortised cost	**200,000,000**	**200,000,000**

17. DEFERRED TAX

Deferred tax liability

Reconciliation of deferred tax asset (liability)

	2012	2011
At beginning of the year	-	13,736,726
(Originating)/reversing temporary difference on fixed assets	50,494,546	23,570,954
Originating temporary difference on intangible assets	1,028,121	446,244
Originating temporary difference on provisions	367,587	14,469,015
Originating temporary difference on prepayments	2,103,127	667,207
Originating/(reversing) temporary difference on unrealised foreign exchange	8,604	113,858
(Originating) temporary difference on maintenance reserve	22,928,212	3,539,735
Originating/(reversing) temporary difference assessed loss	22,336,732	35,481,109
Unrecognised temporary differences not recognised ad deferred tax asset prior year	26,971,766	-
Unrecognised temporary differences not recognised ad deferred tax asset current year	-122,032,441	-26,971,766

Unrecognised deferred tax asset

Deductible temporary differences not recognized as deferred tax asset amount to R122 032 441 (2011:R26 971 766). This amount was not stated in the deferred tax note of the prior year. It is now disclosed for comparability.

18. TRADE AND OTHER PAYABLES

Trade and other receivables

Trade receivables and other receivables are measured at initial recognition at fair value plus direct transaction costs, if any.

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

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

Trade and other receivables are classified as loans and receivables.

	2012	2011
Accrued salary and wages	6,698,174	7,898,714
Accrued interest	1,533,042	1,394,130
Accrued leave pay	17,591,285	13,938,517
Accrued long term incentives	328,319	8,467,948
Passenger service charge	-	3,717,994
Trade payables	317,873,740	246,223,029
Workmens compensation	1,284,974	1,720,636
Total	**345,309,541**	**283,360,915**

Financial Statements

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19. NEUTRALITY ADVANCE

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

South African Airways can request repayment of this balance pending unfair conditions. If this is the case, the repayment will be required to be in 12 equal installments.

Reconcilliation of neutrality advance

	2012	2011
Opening balance	177,266,915	177,266,915

20. REVENUE

	2012	2011
Cargo	16,906,291	14,796,329
Passenger	1,939,160,365	1,572,398,796
Release of unutilised air traffic liability to revenue	63,559,552	56,377,167
Total	**2,019,626,208**	**1,643,572,292**

21. OPERATING (LOSS) / PROFIT

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

	2012	2011
Operating lease charges		
Premises		
Contractual amounts	10,650,245	10,914,001
Motor vehicles		
Contractual amounts	885,529	680,094
Equipment		
Contractual amounts	7,368,639	7,353,293
Aircraft		
Contractual amounts	198,376,313	133,629,295
Impairment of shareholder loan in Congo Express Sprl	-	3,659,491
Impairment of Congo Express Sprl trade receivables	-	35,910,649
Irrecoverable deposit written down	-	17,523
Depreciation and amortisation	97,983,227	85,706,100
Employee costs	444,177,219	382,869,871

22. INVESTMENT REVENUE

Interest revenue

	2012	2011
Bank	8,504,744	12,593,293

23. TAXATION

Major components of the tax expense

Deferred

	2012	2011
Deferred tax current year	-	(13,736,726)

24. AUDITORS' REMUNERATION

	2012	2011
External auditors	2,216,044	1,933,494
Internal auditors	3,753,103	706,320
Total	**5,969,147**	**2,639,814**

25. CASH GENERATED FROM (USED IN) OPERATIONS

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

	2012	2011
(Loss) before taxation	(313,882,535)	(200,686,299)
Adjustments for:		
Depreciation and amortisation	97,983,227	81,159,388
Impairment of PPE	104,793,358	61,238,415
Profit on sale of non current assets and disposal groups	(120,191,578)	-
Loss on foreign exchange	80	-
Interest received	(8,504,744)	(12,593,293)
Finance costs	18,053,960	11,596,469
Foreign exchange differences	651,710	(1,371,201)
Inventory and write downs	-	10,679,367
Other non cash items scrappings PPE	(16,964,190)	(440,106)
Changes in working capital:		
Inventories	(2,370,879)	(25,303,434)
Trade and other receivables	(10,518,573)	(78,227,723)
Trade and other payables	61,948,589	42,275,837
Total	(189,001,575)	(110,792,368)

26. TAX PAID

	2012	2011
Balance at beginning of the year	92,481,987	56,588,547
Balance at end of the year	99,736,233	92,481,987
Cash outflow for the year	**(7,254,246)**	**(35,893,440)**

Refer to note 10 for the movement in the tax receivable for the year.

27. RELATED PARTIES

South African Express Airways (SOC) Ltd is wholly owned by the Department of Public Enterprise (DPE), a South African Government National Department. South African Express Airways (SOC) Ltd is a Schedule 2 Public Entity in terms of the Public Finance Management Act No 1 of 1999 (PFMA).

Its related parties therefore constitute DPE and some major publicentities under Schedule 2 of the PFMA and key management personnel.

Related party balances

Neutrality advance Owing (to) by related parties		
South African Airways (SOC) Limited	(177,266,915)	(177,266,915
Amounts included in Trade receivable/(Trade payables)		
South African Airways (SOC) Limited	235,401,990	193,303,090
South African Airways Cargo (Proprietary) Limited	1,540,851	1,524,696
South African Airways (SOC) Limited	(76,819,429)	(56,160,688)
South African Airways Technical (Proprietary) Limited	(111,771)	(1,329,232)
Air Chefs (Proprietary) Limited	(12,452,090)	-

Related party transactions		
Purchases from (sales to) related parties		
South African Airways (SOC) Limited	(2,358,873,073)	(1,928,415,053)
Congo Express Sprl	-	(55,331,865)
South African Airways Cargo (Proprietary) Limited	(19,525,112)	(15,898,850
Air Chefs (Proprietary) Limited	79,888,585	-
South African Airways (SOC) Limited	956,918,235	840,758,563
South African Airways Technical (Proprietary) Limited	10,867,734	13,770,828

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

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

28. DIRECTORS' EMOLUMENTS

Executive

2012

	Emoluments	Pension fund contributions	Other contributions	Long term incentive	Total
Ntshanga I	1,755,533	200,000	94,682	459,907	2,510,122

2011

	Emoluments	Long term benefits	Pension paid or receivable	Total
Ntshanga I	1,156,782	500,029	111,538	1,768,349
Mzimela S.P.	1,886,267	-	-	1,886,267
Zulu S.S.	1,973,224	786,504	111,288	2,871,016
Total	5,016,273	1,286,533	222,826	6,525,632

Non executive

2012

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

Non executive

2011

	Directors' fees	Total
Boyle L.G.	669,440	669,440
Bunyenyezi E	190,598	190,598
Christodoulou C	283,484	283,484
Cuba V	95,299	95,299
Ledwaba L	105,333	105,333
Madalane N.A.	105,331	105,331
Mohale B.F.	161,881	161,881
Nicolaou S	95,298	95,298
Ssamula B	214,386	214,386
Van Heerden G	190,598	190,598
Vuso M.J.	249,823	249,823
Total	**2,361,471**	**2,361,471**

29. RISK MANAGEMENT

Capital risk management

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

The capital structure of the company consists of debt, which includes the borrowings disclosed in notes 15 & 16, cash and cash equivalents disclosed in note 12, and equity as disclosed in the as at 31 March.

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

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

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

Financial risk management

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

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

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

Liquidity risk

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

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

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the as at 31 march to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances.

At March 31, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	-	-	200,000,000
Trade and other payables	345,309,541	-	-
Neutrality advance	177,266,915	-	-
Bank overdraft	85,454,749	-	-

At March 31, 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	-	-	200,000,000
Trade and other payables	283,360,952	-	-
Neutrality advance	177,266,915	-	-
Bank overdraft	13,496,062	-	-

Interest rate risk

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

Interest rates on both borrowings and deposits are linked to the prime interest rate.

Interest rates on both borrowings and deposits are linked to the prime interest rate. The company has a Loan of R200,000,000 (R200,000,000: 2011) that bears an annual average interest on investment deposit of R69,081,116 (2011: R64,642,240) that earns interest at 6.250% per annum and an Overdraft balance of R85,454,749 (R13,496,062: 2011) that bears an annual average interest of 7.15% per annum. A 1% interest rate increase will result in an additional interest of R2000,000 (R2000,000: 2011), R201,109 (2011: R129,245), R4,317,570 (2011: R4,040,140) and R332,000 (2011: R134,961), interest, on the loan, deposit, investment and overdraft, respectively.

Credit risk

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

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

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Currency risk

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

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

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

A R1 depreciation in the rand against the US dollar will result in a R37.7 million (2011: R28.1 million) net cash inflow to the Company.

The rand to the dollar at the end of the financial year was	R7,6779	R6,8317
The average for the year was	R7,4204	R6,8985

	2012	2011
Financial Assets by category	**Loans and receivable**	
Deposits	20,110,918	12,924,532
Trade and other receivables	335,135,689	310,206,158
Cash on hand	54,999	73,635
Shot-term deposit	23,661,853	88,267,926
Prepayments	17,372,031	11,445,785
Investment - Standard Bank Security Deposit	69,081,116	64,642,240

	2012	2011
Financial liabilities by category	**Loans and payables**	
Trade payables	317,873,740	246,223,029
Bank overdraft	85,454,749	13,496,062
Neutrality advance	177,266,915	177,266,915
Borrowings	200,000,000	200,000,000

30. PUBLIC FINANCE MANAGEMENT ACT (PFMA)

Refer to the Directors' Report (note 12) for further details. The appropriate corrective and/or disciplinary actions have been taken (where necessary). Irregular expenditure to the value of R1,558,552 was detected within the procurement function. This relates to non-compliance with the company's procurement procedures.

	2012	2011
Fruitless and wasteful expenditure	**Total**	**Total**
Interest on late payment of invoices	270,241	-
Penalties for the late exchange of rotables	246,052	-
Total	516,293	-

31. FINANCE COSTS

	2012	2011
Bank	17,783,719	11,198,076
Interest paid	270,241	398,393
Total	**18,053,960**	**11,596,469**

32. CONTINGENCIES

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

Airport Company of South Africa	R110,822
Commissioner for Customs and Excise	R275,000
Richards Bay Airport Company (Pty) Limited	R1,700,516
Canadian Regional Aircraft Finance Transaction No. 1 Limited	R6,879,398
GE Capital Aviation Services Limited	R1,589,325
Horizon Air Industries Incorporated	R8,914,042

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

Q400 Leasing (SOC) Ltd	R10,500,000
Lufthansa Technik	R3,574,603
Air Traffic Navigation Services Limited	R9,950,000

33. COMMITMENTS

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

	2012	2011
Details of commitments		
Payable within 1 year	227,261,528	94,983,012
Payable within 2 5 years	746,463,081	100,318,701
Over 5 years	894,233,210	440,804,822
Total	**1,867,957,819**	**636,106,535**

34. FAIR VALUE EXCHANGE GAINS (LOSSES)

	2012	2011
Other financial assets	(651,710)	1,371,201

35. IMPAIRMENT OF ASSETS

	2012	2011
Property, plant and equipment	42,375,101	61,238,415
Non-current assets held for sale {Note 13}	7,386,496	-
Provision to write off - Rotables	50,969,888	-
Scrapping	4,061,597	-
Total	**104,793,358**	**61,238,415**

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Aviation
DIRECTORS:	A. Mabizela I. Ntshanga Z.Z. Ngwenya B. Ssamula B. Dibate K. Nondumo N. Moshimane E. Mabyana N. Gxumisa G. Mothema
REGISTERED OFFICE:	4th Floor offices, West Wing, Pier Development, O.R Tambo International Airport 1627
BUSINESS ADDRESS OFFICES:	P.O Box 101 O.R Tambo International Airport 1627
HOLDING COMPANY	Department of Public Enterprises on behalf of the South African Government incorporated in accordance with the Companies Act of the Republic of South Africa
BANKERS:	First National Bank Nedbank, a division of Nedbank Group Limited
EXTERNAL AUDITORS:	Auditor General of South Africa Registered Auditors
SECRETARY ACTING:	M. Gie

Notes

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