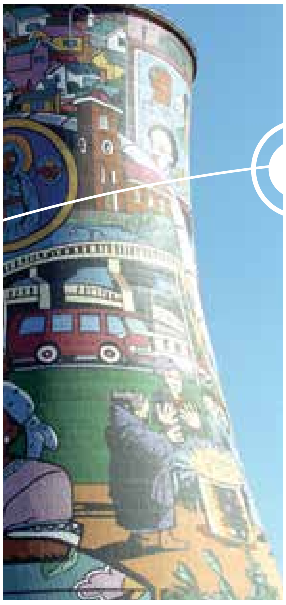
20 YEARS in Aviation

CELEBRATING
20 YEARS IN AVIATION



2014 INTEGRATED ANNUAL REPORT

20 YEARS OF FREEDOM

sa express
we fly for you

1994

Est.
1994

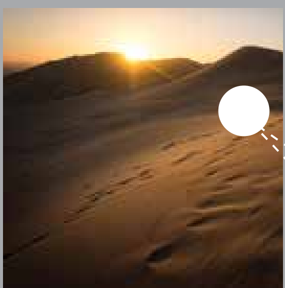
37287
Flights

1188
Employees

24
Aircraft

29
Destinations

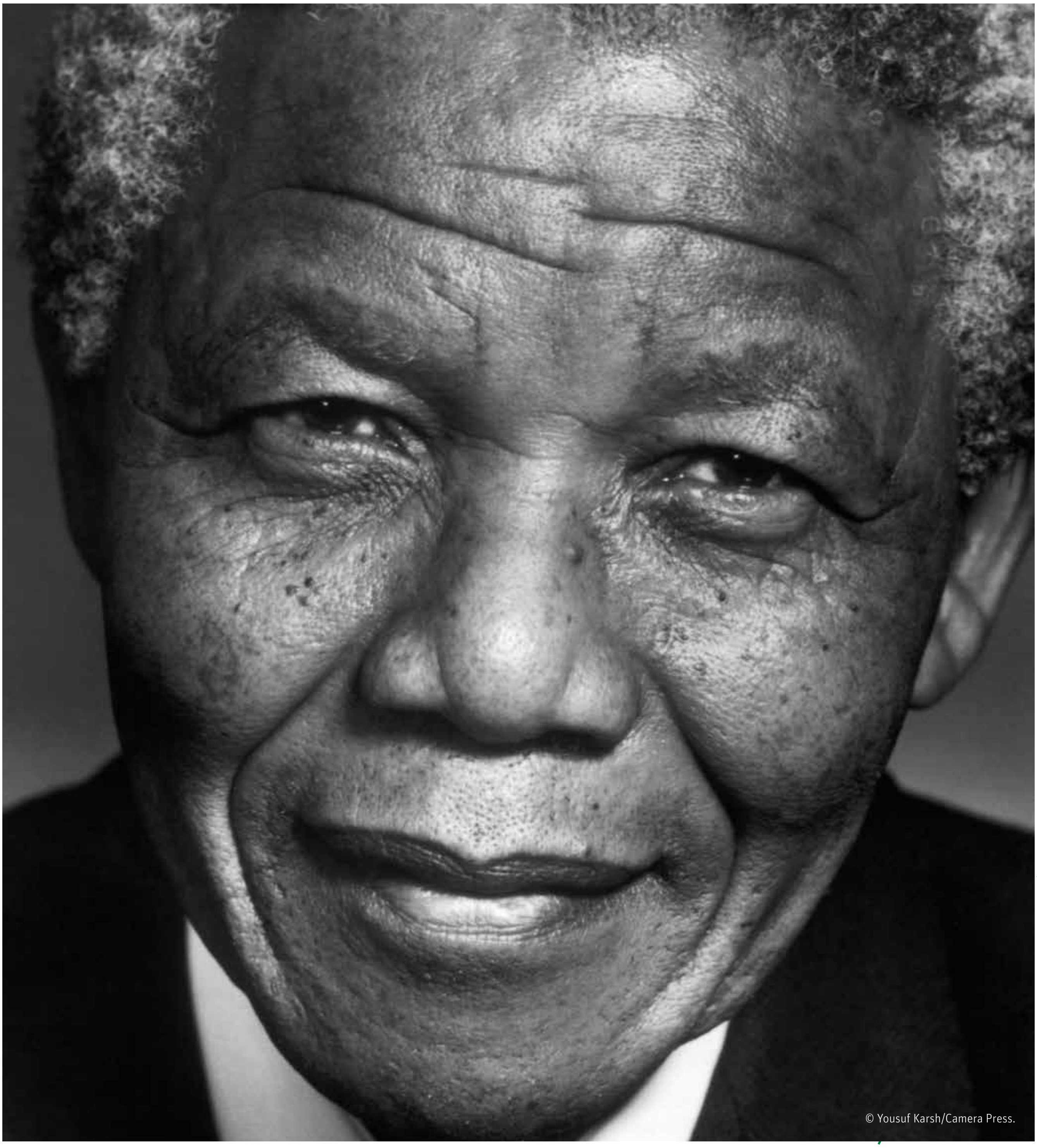
88%
On-time
departures



2014

sa express
we fly for you

There is one departure we would have delayed forever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2014

The 5th of December 2013 will forever be etched in our memories and stand out as one of the saddest days in our country's history with the announcement of the passing away of former President Nelson Rolihlahla Mandela. With the sad news of the passing of an iconic figure such as our own Madiba, we are easily drawn into mourning the loss but we should also celebrate the wonderful achievements of this man among men.

From humble beginnings in the Eastern Cape, Madiba grew to become one of the brightest lights the world has known. In the 95 years that Tata Madiba was blessed to see, he spent 27 years confined to a prison cell for ideals that he was not prepared to compromise. For most, this would have broken their spirit and maybe, at times, even led them to consider abandoning their ideals. Yet the father of our proud new South Africa refused to abandon his vision of seeing the country unified in a new democratic era.

We can only hope that more of humanity aspires to the ideals for which we will always remember Nelson Mandela – his struggle for equality, human rights, dignity of children and the healing of a country once divided. We salute the man, his ideas, his legacy and above all his love for this country, the world and its people.

As SA Express, we beam with national pride that we joined forces with major stakeholders and Government to transport the family and mourners to Umtata to bid a fond farewell to our beloved Tata.

Tata, we thank and salute you.

sa express
we fly for you


Report Profile

Scope, Boundary and Reporting Cycle

This Integrated Annual Report ("Report") of South African Express SOC Limited, a State-owned Company, provides an overview of the performance of the Company for the period 1 April 2013 to 31 March 2014. It presents the Company's mandate, strategy, governance, performance review and its future outlook. It demonstrates how South African Express Airways SOC Limited responded to stakeholders, risks, and opportunities in order to create sustainable economic, social and environmental value.

Printed copies are available on request from the Company Secretary. This SA Express 2013/14 Integrated Annual Report, and the prior period's Integrated Annual Report, which covered the period 1 April 2012 to 31 March 2013, are available on the **www.flyexpress.aero website.**

The report is broadly divided into five sub-categories, namely:

- About SA Express;
- Internal Controls and Risk Management;
- Sustainability;
- Corporate Governance; and
- The Financial Statements.

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

Reporting Principles

The content of this Report is driven by matters that had the greatest potential to impact the airline's operating and economic and financial outlook. We consider a broad range of external and internal factors, including the outcome of various stakeholder engagement processes driving the integrated reporting process when deciding which issues are of the utmost importance to address.

The information included in this Report aims to provide the State (as the primary and sole shareholder) and all South Africans at large with a good understanding of the significant economic, social and environmental risks and opportunities. The airline industry, faces in the short and medium term as well as the company's unique response in order to mitigate the risks and ensure the airline is regarded a sustainable entity. As a State-owned company, the airline's ability to fulfil its dual mandate of commercial and developmental in the medium to long term will be dependent on the airline's leadership team's ability to focus on sustainable value creating for its shareholder.

Furthermore, the report highlights the focus of the airline in reducing its carbon footprint and compliance with international standards. In addition, the report also attempts to explain it to be a leader in transforming the sector through its concerted human capital focus such as the SA Express MACH I and MACH II.

The report also addresses the targets that the airline compacted with the Shareholder (Department of Public Enterprises) through the Shareholder Compact, which is referred to as a Statement of Predetermined Objectives which includes both financial and non-financial targets for the operation period under review.

This Report was prepared in accordance with International Financial Reporting Standards and the Financial Reporting Guides issued by the Accounting Practices Committee. The Company's reporting on sustainable development is guided by the Sustainability Reporting Guidelines of the Global Reporting Initiative ("GRI"), and undertaken in accordance with G3.1. The Company has applied the majority of the principles contained in the King Code of Governance for South Africa 2009 ("King III"). The Company's application of the principles of King III, as well as the few instances of non-compliance, are recorded and explained in the Company's King III register, which is continuously updated and maintained and located on the Company's website **www.flyexpress.aero.**

Our Stakeholders

The Company as a State-Owned Company, the company reporting to the Department of Public Enterprise is committed to the airline's founding mandate and the preamble of the SA Express Act of 2007. The airline's mandate is to offer seamless air travel and offer connectivity to secondary markets to the core markets whilst being a feeder airline to the National Carrier, South African Airways. In addition to domestic operations, the airline is to ensure connectivity and economic growth in the region of operations, thus the commitment to operating to the 6 SADC countries.

Of principal importance is the Company's commitment to its stakeholders to conduct its business in a sustainable and responsible manner and to respond to their respective needs as entrenched in the Company's core values. The nature of the Company's business implies a close relationship with its stakeholders, who include - but are not limited to - those customers who we fly with pride, with a commitment to safe, secure and reliable service; our employees, who are responsible for ensuring the airline operates daily with a focus on safety and comfort; its various suppliers, who form an integral part of the Company's ability to fly; Government Regulatory and Industry Bodies, since the industry in which the Company operates is subject to extensive government and regulatory oversight; the South African Public, who are our key shareholders.

Risk Management

The Company follows a comprehensive and integrated risk management process where the identification and management of risk forms part of the Executive Management business plan. The board, through the Audit & Risk Sub-Committee of the board, actively monitors this process.

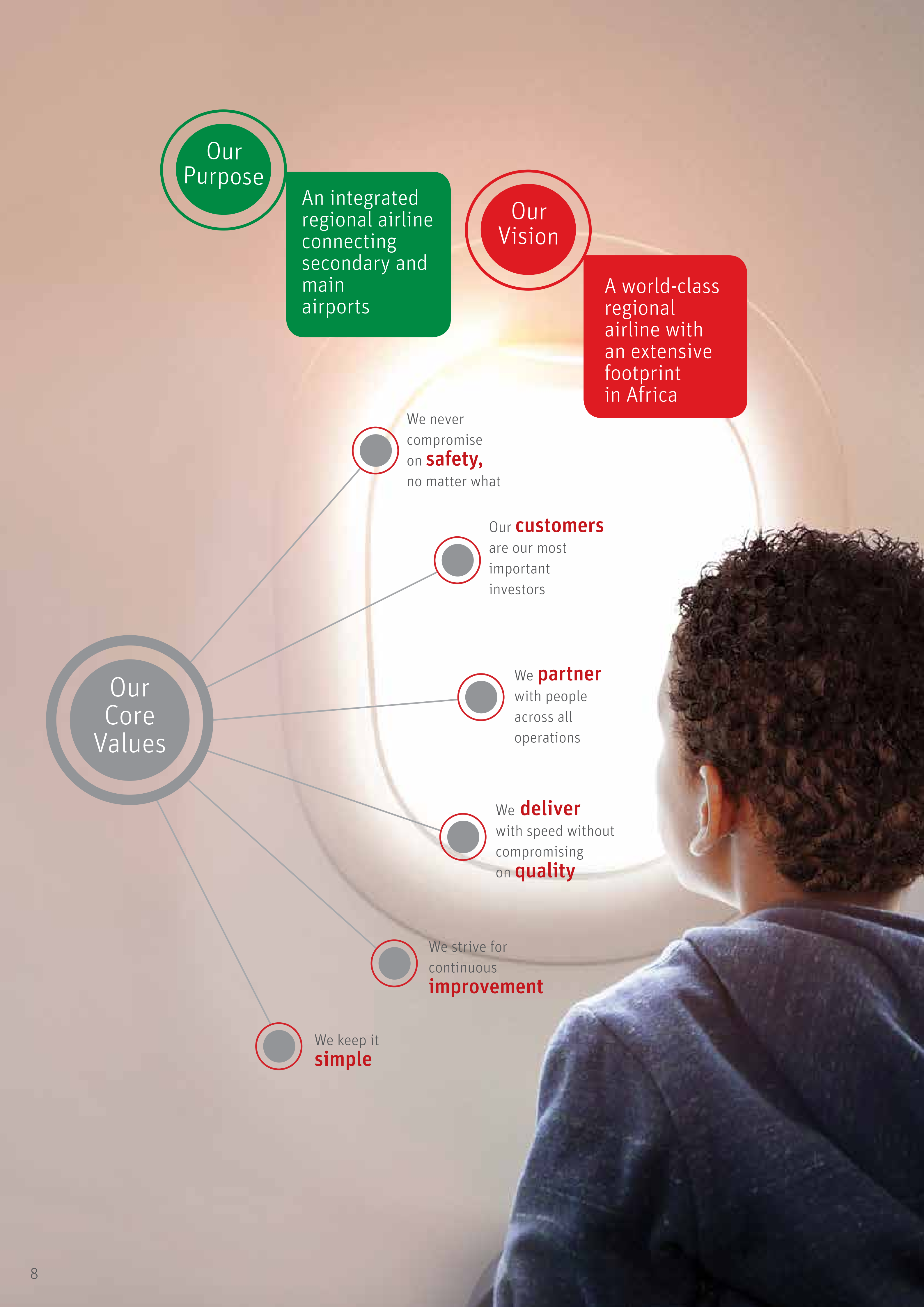
Significant Events during the Reporting Period

No significant changes regarding the Company's size, structure or ownership occurred during the reporting period compared to previous financial years. Hence there are no significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in this Report.

External Audit and Assurance

The Annual Financial Statements on pages 78 to 120 were audited by the Company's independent external auditors, the Auditor General of South Africa (AGSA), in accordance with International Standards of Auditing.

About SA Express



Our Purpose

An integrated regional airline connecting secondary and main airports

Our Vision

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

Our Core Values

- We never compromise on **safety,** no matter what
- Our **customers** are our most important investors
- We **partner** with people across all operations
- We **deliver** with speed without compromising on **quality**
- We strive for continuous **improvement**
- We keep it **simple**

SA Express Overview

The airline was founded on the eve of the new democratic South Africa on the 24th of April 1994. The airline turned 20 this year and now operates a fleet of 24 aircraft. SA Express is a fast-growing regional airline offering seamless connectivity between primary and secondary domestic and regional destinations in Southern Africa and beyond. Our objective is to provide transportation of passengers, cargo and mail, air charters and other related aviation services, as well as to promote frequency of services on lower density routes; and to expand regional air services' capability in the Republic and to the African continent and surrounding Islands.

The improvement of intra-Africa travel is aligned to the state's airlift strategy, aiming to increase aviation's contribution towards 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.

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 benchmarked standards. We continuously seek opportunities for growth and partnerships within the region, in order to expand our route network.

This integrated annual report highlights the key achievements and opportunity to operationalise the airline's strategy and vision.


LUBUMBASHI
LUSAKA
HARARE
WALVIS BAY
WINDHOEK
HOEDSPRUIT
GABORONE
MAPUTO
JOHANNESBURG
KIMBERLEY
RICHARDS BAY
BLOEMFONTEIN
DURBAN
EAST LONDON
GEORGE
PORT ELIZABETH
CAPE TOWN

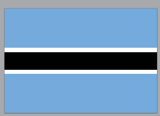
Our Footprint

South Africa

Exchange rates: Rand (ZAR) per US dollar -9.576 (2013 est.)
Geography: Note: South Africa is found at the Southern tip of Africa. South Africa completely surrounds Lesotho and almost completely surrounds Swaziland
Climate: Mostly semiarid; subtropical along east coast; sunny days, cool nights
Languages: IsiZulu (official) 22.7%, IsiXhosa (official) 16%, Afrikaans (official) 13.5%, English (official) 9.6%, Sepedi (offcial) 9.1%, Setswana (official) 8%, Sesotho (official) 7.6%, Xitsonga (official) 4.5%, siSwati (official) 2.5%, Tshivenda (official) 2.4%, isiNdebele (official) 2.1%, sign language 0.5%, other 1.6% (2011 est.)
Agriculture: Products: corn, wheat, sugarcane, fruits, vegetables; beef, poultry, mutton, wool, dairy products
Industries: Mining (platinum, gold, chromium), automobile assembly, metalworking, machinery, textiles, iron and steel, chemicals, fertiliser, foodstuffs, commercial ship repair

Democratic Republic of Congo

Exchange rates: Congolese francs (CDF) per US dollar - 918 (2013 est.)
Geography: Straddles Equator; has narrow strip of land that controls the lower Congo River and is only outlet to South Atlantic Ocean; dense tropical rain forest in central river basin and eastern highlands; second largest country in Africa (after Algeria)
Climate: Tropical; hot and humid in equatorial river basin; cooler and drier in southern highlands; cooler and wetter in eastern highlands; north of Equator wet season (April to October), dry season (December to February); south of Equator - wet season (November to March), dry season (April to October)
Languages: French (official), Lingala (a lingua franca trade language), Kingwana (a dialect of Kiswahili or Swahili), Kikongo, Tshiluba
Agriculture : Coffee, sugar, palm oil, rubber, tea, cotton, cocoa, quinine, cassava (manioc), bananas, plantains, peanuts, root crops, corn, fruits; wood products
Industries: Mining (copper, cobalt, gold, diamonds, coltan, zinc, tin, tungsten), mineral processing, consumer products (textiles, plastics, footwear, cigarettes), metal products, processed foods and beverages, timber, cement, commercial ship repair



Botswana

Exchange rates: Pulas (BWP) per US dollar - 8.732 (2013 est.)
Geography: Landlocked; population concentrated in eastern part of the country
Climate: Semiarid; warm winters and hot summers
Languages: Setswana 78.2%, Kalanga 7.9%, Sekgalagadi 2.8%, English (official) 2.1%, other 8.6%, unspecified 0.4% (2001 census)
Agriculture: Products: Livestock, sorghum, maize, millet, beans, sunflowers, groundnuts
Industries: Diamonds, copper, nickel, salt, soda ash, potash, coal, iron ore, silver; livestock processing; textiles

Mozambique

Exchange rates: Meticais (MZM) per US dollar - 30 (2013 est.)
Geography: The Zambezi flows through the north-central and most fertile part of the country
Climate: Tropical to subtropical
Languages: Emakhuwa 25.3%, Portuguese (official) 10.7%, Xichangana 10.3%, Cisena 7.5%, Elomwe 7%, Echuwabo 5.1%, other Mozambican languages 30.1%, other 4% (1997 census)
Agriculture : Cotton, cashew nuts, sugarcane, tea, cassava (tapioca), corn, coconuts, sisal, citrus and tropical fruits, potatoes, sunflowers; beef, poultry.
Industries: Aluminium, petroleum products, chemicals (fertiliser, soap, paints), textiles, cement, glass, asbestos, tobacco, food, beverages

Namibia

Exchange rates: Namibian dollars (NAD) per US dollar - 9.576 (2013 est.)
Geography: First country in the world to incorporate the protection of the environment into its constitution; some 14% of the land is protected, including virtually the entire Namib Desert coastal strip
Climate: Desert; hot, dry; rainfall sparse and erratic
Agriculture : Millet, sorghum, peanuts, grapes; livestock; fish
Industries: Meat packing, fish processing, dairy products, pasta and beverages; mining (diamonds, lead, zinc, tin, silver, tungsten, uranium, copper)

Zambia

Exchange rates: Zambian kwacha (ZMK) per US dollar -5.3 (2013 est.)
Geography: Landlocked; the Zambezi forms a natural riverine boundary with Zimbabwe; Lake Kariba on the Zambia-Zimbabwe border forms the world's largest reservoir by volume (180 cu km; 43 cu mi)
Climate: Tropical; modified by altitude; rainy season (October to April)
Agriculture: Corn, sorghum, rice, peanuts, sunflower seed, vegetables, flowers, tobacco, cotton, sugarcane, cassava (tapioca), coffee; cattle, goats, pigs, poultry, milk, eggs, hides
Industries: Copper mining and processing, emerald mining, construction, foodstuffs, beverages, chemicals, textiles, fertiliser, horticulture

Zimbabwe

Exchange rates: US dollar
Geography: Landlocked; the Zambezi forms a natural riverine boundary with Zambia; in full flood (February-April) the massive Victoria Falls on the river forms the world's largest curtain of falling water; Lake Kariba on the Zambia-Zimbabwe border forms the world's largest reservoir by volume (180 cu km; 43 cu mi)
Climate: Tropical; moderated by altitude; rainy season (November to March)
Agriculture: Corn, cotton, tobacco, wheat, coffee, sugarcane, peanuts; sheep, goats, pigs
Industries: Mining (coal, gold, platinum, copper, nickel, tin, diamonds, clay), numerous metallic footwear, foodstuffs, beverages

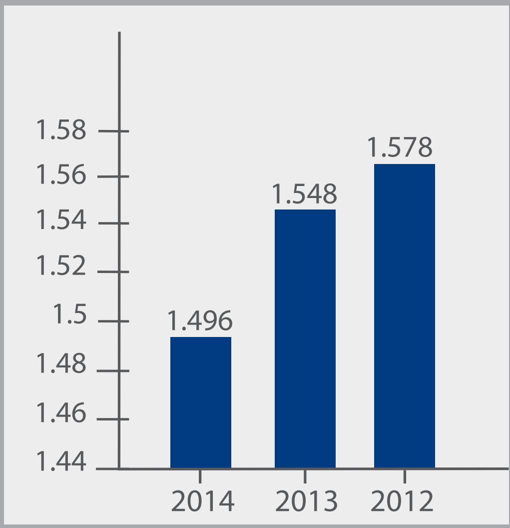
Source: World Fact Book

Key results 2014

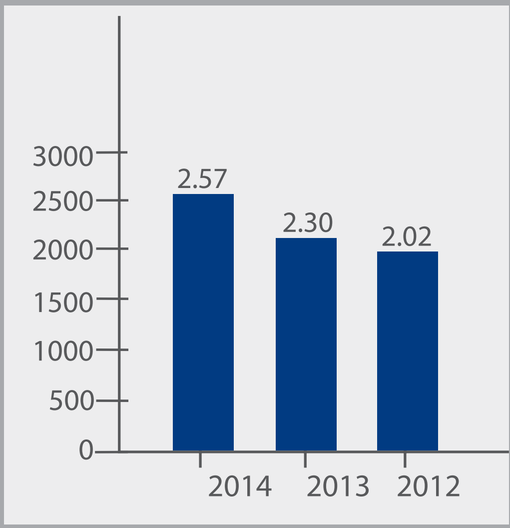
Financial Results	2013/14	2012/13
Revenue	R2569bn	R2296bn
Operating loss	(R68.13m)	(R65.41m)
Net loss	(R138m)	(R187.65m)
Key Financial Statistics		
Operating margin	(2.63%)	(1.07%)
Net profit margin	(7.97%)	0.02%
Return on equity	(925.23%)	0.24%
Return on assets	(13.14%)	0.04%
EBITDA	(R66.02m)	(R1.78m)
Gearing Ratio	-71.36:1	4.19:1
Operating Statistics		
Passengers carried	1,496m	1.548m
Passenger load factors	64%	65%

Operational and Performance Highlights

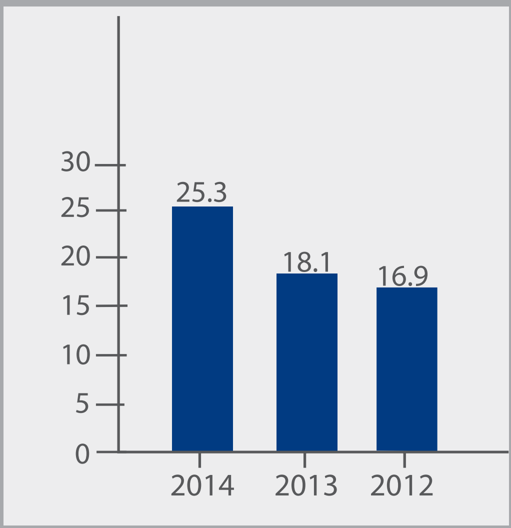
Passengers (Millions)



Revenue (Billions)



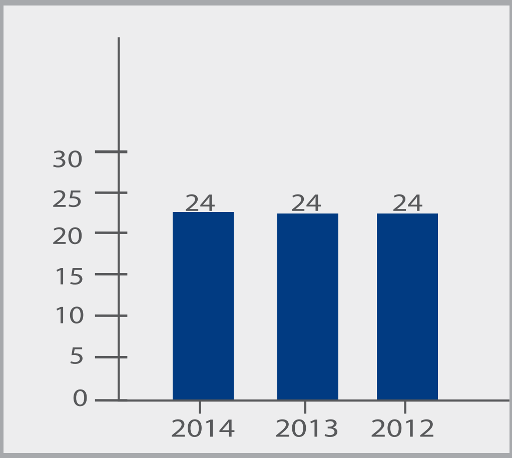
Cargo Revenue (Millions)



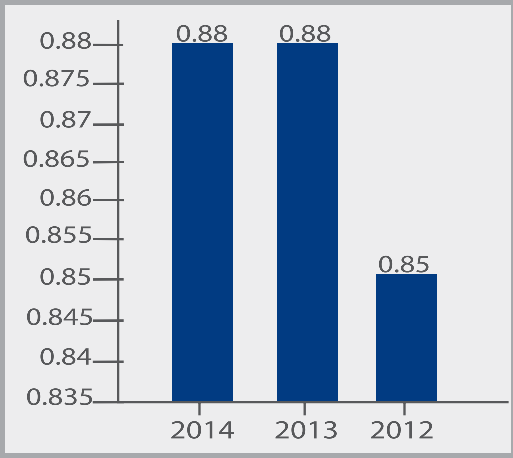
Net Profit/Loss (Millions)

Operational and Performance Highlights

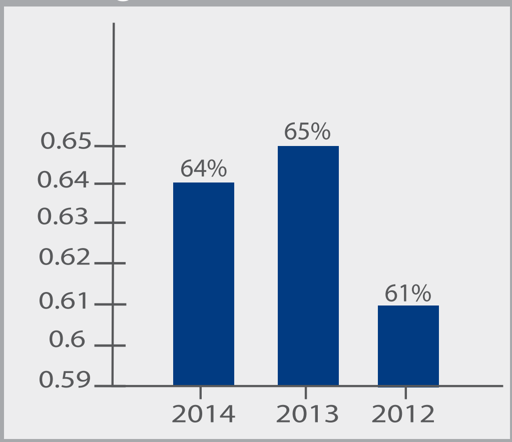
Aircraft



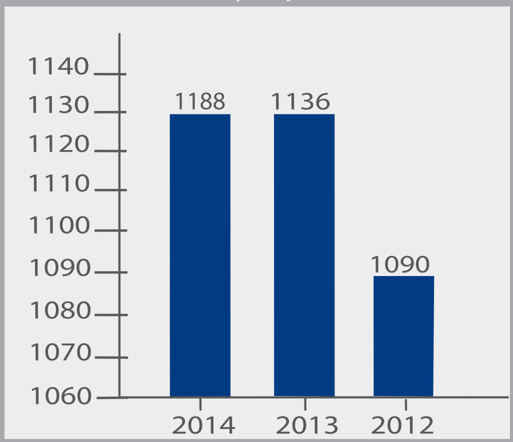
OTP (%)



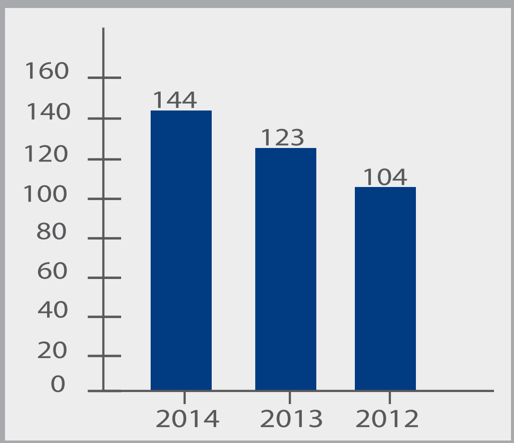
Passenger Load Factor %



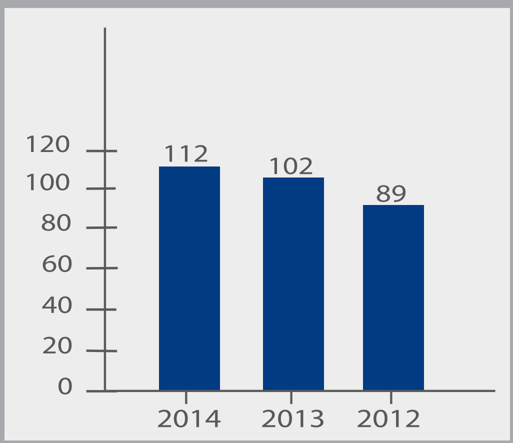
Number of Employees



CASK (Cents)



RASK (Cents)



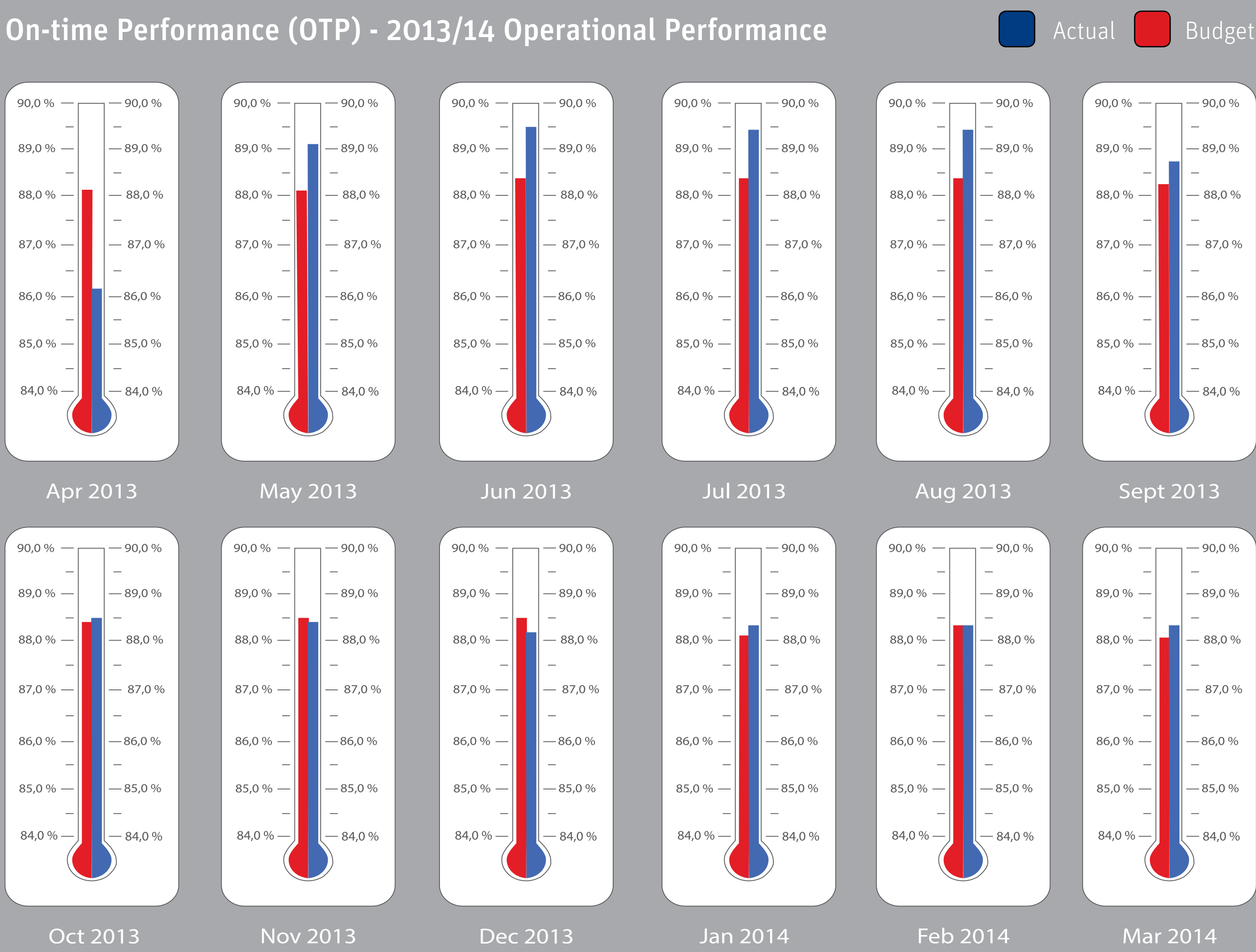
On-time Performance (OTP) - 2013/2014 Operational Performance

SA Express has performed relatively consistently to the previous financial year in terms of its on-time performance (OTP).

We have achieved our target of 87% with an 88% OTP. The initial improvement in first quarter of the year was influenced by management's decision to change the schedule in line with the airline's capability, including available equipment. We have also reviewed our processes, enhanced the system integrity and focused employee functional training in the Operations Control Centre (OCC). Business processes have been aligned to the system and ailing critical skills and staff numbers have been addressed.

The change in schedule had a positive effect that saw the improvement of the average number of passengers per aircraft from 35 to 43 year on year. The average delays have been contained within a 30 min time frame.

On-time Performance (OTP) - 2013/14 Operational Performance



Glossary

ASK	The product of seats offered and the distance flown (in kms).
ATK	Available Tonne Kilometers (ATK) is a measure of an airline's total capacity (both passenger and cargo).
Block Hours	The time from which the aircraft departs from the gate to the time it arrives at the gate of its destination.
Cash	Cash at bank, cash on hands and short-term deposits.
CASK	Cost per Available Seat Kilometre; Total operating costs divided by ASK.
DPE - The Shareholder	The Department of Public Enterprise.
EBITDA	Earnings before interest, Taxes, Depreciation and Amortisation.
Gearing Ratio	Total debt to equity.
GHG Emission	Green house gas.
Net Profit Margin	Profit after tax expressed as a percentage of turnover.
Overall load factor	RTK expressed as a percentage of ATK.
Passenger load factor	RPK expressed as a percentage of ASK.
Return on Assets	Profit after tax divided by total assets.
RASK	Revenue per Available Seat Kilometre; Net Passenger Revenue divided by ASKMs.
RPK	The number of passengers carried multiplied by the distance flown (in kms).
RTK	A revenue tonne-kilometer (RTK) denotes one tonne of load (passengers and/or cargo) transported one kilometer.
Northern Summer Season	Period between end of March to end of October per IATA.
Turnover	Represents total revenue earned and loss derived, net of taxes, allowances and returns, from aircraft, hotel, property rental, technical and traffic handling operations.
Travelled Revenue	Consists of gross revenue derived from carriage of passengers, freight, and mail excess luggage.
Unit costs	Airline operating costs (excluding sales commissions and pool settlements) divided by system-wide available ton kilometres.
Northern Winter Season	Period between end of October to end of March per IATA.

Fleet Facts

South African Express Airways – Facts and Figures (Aug 2013)

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	4	10
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	34 109 kg	29 347 kg
Max. Take-off Weight	23 133 kg	33 995 kg	29 257 kg
Max. Landing Weight	21 319 kg	30 391 kg	28 009 kg
Max. Zero Fuel Weight	19 958 kg	28 259 kg	25 855 kg
Dry Operating Weight	±14 470 kg	±20 472 kg	±17 755 kg
Aircraft Category	D	C	B
Fuel Capacity	6585 kg	8 822 kg	5318 kg
Number of Seats	50	70	74
Maximum Payload	5488 kg	7787 kg	8100 kg
Engine Model	GE CF34-3B1	GE CF34-8CB1	PW150A
Take-off thrust			
-Normal/Automatic Power Res	38.8/41.0 (kN)	55.2/60.0 (kN)	
-Normal/Automatic Power Res	8729/9220 (lbf)	12418/13489 (lbf)	4580/5071 (shp)
Performance			
Fuel consumption at normal cruise speed kg/hr	± 1030	± 1480	± 900
Cruise speed – Mach/Tas/km/hr	0.70/420/778	0.78/460/850	-/320/590
Range at full pax load - nm	950	1500	950

Introduction to the Strategy: SAX 20/20 Vision

The strategy emanates from the SA Express business experiences over the last 20 years and seeks to project the next 20 years. Importantly, as a state-owned aviation asset/entity, SA Express is mandated to fulfil government's developmental objectives/policies and facilitate socio-economic development in both South Africa and the rest of Africa, while ensuring that it is commercially viable.

In recent years, the airline experienced challenges and therefore embarked on a turnaround process; with this underway, the airline undertook the process of defining a transformed business model. The comprehensive strategy document, SAX 20/20 Vision, crafted and submitted to the shareholders at the end of July 2013, aims at fulfilling the airline's socio-political and economic goals while operating sustainably in a highly competitive and fragmented market.

SAX 20/20 Vision Strategy

SAX 20/20 Vision: A new business model

In order to learn from the airline's 20 year existence, the Executive Leadership and Board initiated and compiled the SAX 20/20 Vision Strategy. The strategy seeks to renew and define a vision strategy that will improve the sustainability of the organisation into the next 20 years.

sa express
we fly for you

Focussed on sustainability and unlocking growth through connectivity.

- To become a catalyst for key developmental state objectives (infrastructure development, tourism, business, economic impact)
- To be a sustainable regional airline on the continent
- To achieve consistent and effective customer service
- To foster performance excellence through our people, skills and job creation
- To expand all our services into Africa

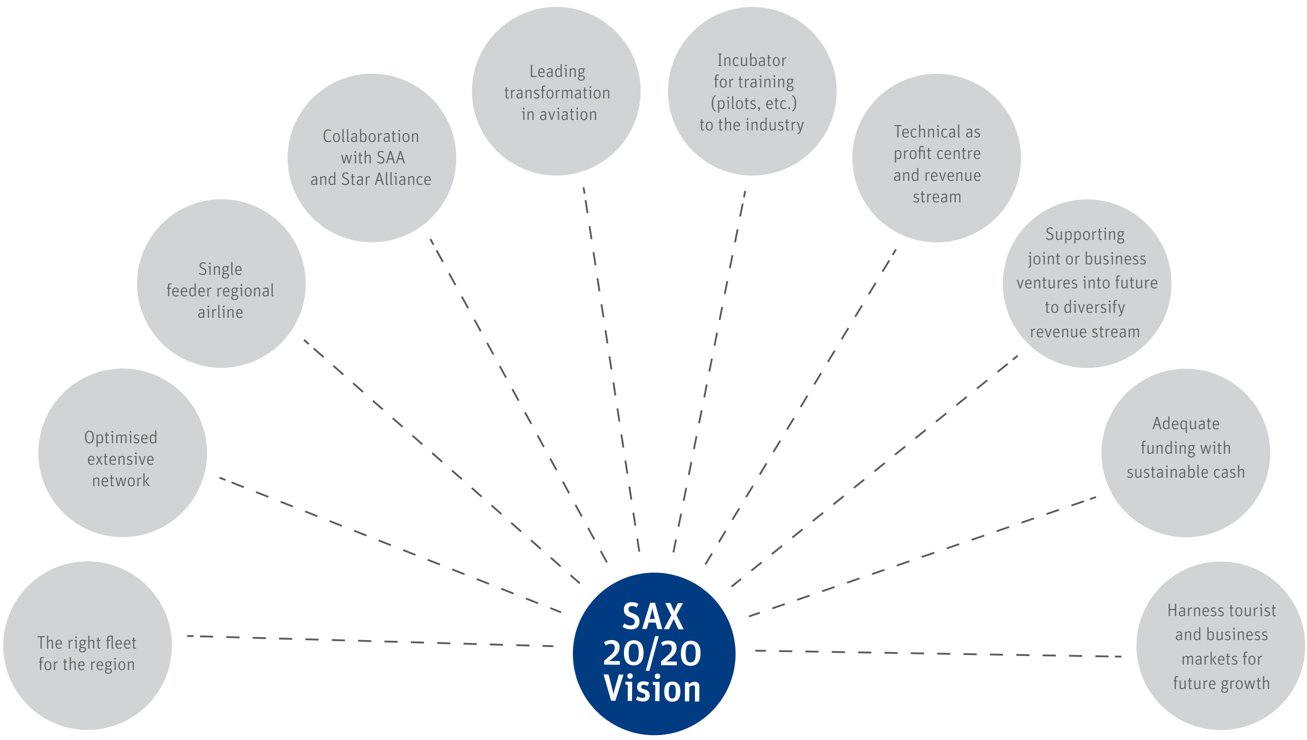


Figure 1

SAX 20/20 Vision End State

The end state of this strategy is illustrated in Figure 1: The review of SA Express' options as a regional feeder airline is heavily dependent on resolving the primary opportunities indicated above.

Opportunity statement

SA Express seeks to unlock its potential for innovation and growth by clearly defining itself as a regional feeder airline. Furthermore, the entity will ensure the support for the Whole of State approach in the sector.

Furthermore, driving capital expansion through revitalising and extending the existing network; matching capacity to demand with the right fleet choice. The environment is conducive to expansion into non-aviation subsidiaries; expansion of technical services as a critical additional revenue stream and evolving into a profit centre. The introduction of a revolutionary enterprise-wide risk-management system is apparent.

Prospects are available for the use of this capacity to provide a training incubator for the rest of the aviation industry, harnessing and improving people skills. SA Express guarantees additional room for existing transformation efforts in order to ensure that the airline is the first fully transformed airline.

The SA Express brand has been positioned as a personal 'touch' experience with the brand promise of "We fly for you"

In this end state, SA Express will be characterised by the following: A strong and unified feeder to SAA in a new entity, the South African Regional Airline.

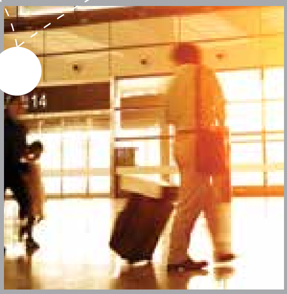
- A brand alignment to the mainline carrier.
- A regional feeder airline with an extensive network connecting to SAA and interlining with Star Alliance partners.
- Developing secondary markets to facilitate trade and tourism between cities and towns in support of the Airlift Strategy and state objectives.
- A fleet of aircraft with the appropriate gauge to stimulate the market.
- The first airline transformed in its demographics and as a catalyst for training in the industry.
- SA Express Technical division, together with SAA Technical, would be a profit centre and offer Maintenance, Repair and Overhaul support to regional aircraft.
- An entity with diversified revenue streams that will support and enhance the business and product offering. The envisaged revenue stream would form a key part of the appropriate commercial proposition with the airline seeking to charge for additional and non-ticket offerings.
- Sustainable Cash Position and adequate Funding Models.

Strategy implementation

The implementation has been phased to stretch over a 20-year period, addressing the immediate, short-term, medium-term and long-term implementation of proposed initiatives/remedies. Some business units have evolving environments and therefore will have different horizons that differ from the prescribed timelines below:

Short-Term: 1-3 years
Medium-Term: 4-12 years
Long-Term: 13-20 years

The implementation of the strategy is a work in progress, with an Interdepartmental Forum formulated to meet, comprising of Senior Management with the Chairperson being an ex officio of the Executive Committee. The forum was created to support the Executive Committee in tracking the delivery of the strategic objectives committed on the Shareholder Compact, SAX 20/20 and other key CEO projects through cross-functional teams and project-management methodology.


Strategic Intent

The intent of the transformed business model is to ensure that SA Express builds a sustainable regional feeder airline for the future and the SAX 20/20 Vision Strategy demonstrates how the airline intends to fulfil its vision and purpose by Unlocking Growth Through Connectivity and by delivering on the brand promise of "Together We Fly".

Strategic objectives

In pursuance of its Mandate, SA Express with the Shareholder (referred to as parties) agree that the strategic objectives of SA Express are therefore headed and expressed as follows:

a) Strategic Role for South Africa

i. Provide passenger, mail and cargo air services on a sustainable basis.

ii. Assist in lowering the cost of doing business in South Africa by providing strategic connectivity in the market and continuously seek opportunities for growth and partnerships within the Southern African Development Community region (the Region) in order to expand its route network.

b) Capital and financial efficiency

i. Aim to strengthen its balance sheet by improving the gearing ratio.

ii. Continue to improve sustainability by increasing the net cash position and net profit, based on the agreed objectives.

iii. Ensure that the Shareholder's value expectation is met by enhancing the footprint of SA Express in the African continent and ensuring that the SA Express is geared for purpose-driven growth.

iv. Continue to implement the cost saving and cost containment strategies.

c) Commercial and operational efficiency and effectiveness

i. Continue to significantly improve its operating efficiency measured as On-time Performance and effectiveness in its processes.

ii. Strive to create a High Performance Culture with the right people in the right jobs.

d) Co-operation and consolidation

i. Pursue opportunities to leverage on the operations of other airlines by various means including code-sharing, space blocking and capacity sharing agreements and/or arrangements within the ambit of appropriate competition rules in order to develop routes and reduce fixed commitments to operational costs.

ii. Co-operate with strategic airline partners in the Region where operational costs and frequency of service with the gauge of aircraft operated by partner airlines is appropriate within the legal constraints applicable.

iii. Agree and establish mutually beneficial Commercial Agreements and market-related co-operation with strategic airline partners.

e) Capital expenditure and new route development

i. Ensure that all capital expenditure and new route developments are supported on the basis of a business plan which includes a financial motivation and other criteria that may be applicable in the route selection.

f) Developmental Objectives

i. Job Creation and Skills Transfer
The Parties acknowledge that the National Development Plan aims at reducing poverty by increasing the per capita income from R50 0000 (fifty thousand rand) in 2010 to R120 000 (one hundred and twenty thousand rand) by 2030 and to increase employment nationally from 13 (thirteen) million in 2010 to 24 (twenty-four) million by 2030.

- There is a growing local and international demand for scarce commercial, operational, managerial and technical skills.

- The Parties agree that SA Express shall develop a strategy to acquire, develop and retain the appropriate critical skills and support the development of training for the airline industry within the South African context and the envisaged regional secondary hubs.

ii. Environmental, Health and Safety Issues
SA Express is to conduct an annual environmental, health and safety audit to identify major areas of financial and operational risk and provide a plan to mitigate such issues in relation to all territories that SA Express operates in.

iii. Economic Value Creation
SA Express supports the creation of effective business processes and continuous assistance in the development of an economic context which promotes industrial competitiveness and financial growth in the economy.

iv. Broad-Based Black Economic Empowerment
The Parties acknowledge that Broad-Based Black Economic Empowerment and business development is part of SA Express' strategy. The Parties agree that SA Express will endeavour to meet the targets agreed in the B-BBEE Charter for the Transport Sector.

v. Social Economic Development
The Parties agree that SA Express shall participate in Social Economic Development (SED) in order to uplift previously disadvantaged communities.

Celebrating **Twenty Years** in Aviation

1994

1994
SA Express
established
by the Deloisse
brothers
and Thebe
Investments

South Africa's first democratic election

1995
Aloma
Stevens becomes
the first
female captain of
SA Express

The Rugby World Cup is staged in South Africa

1996
SA Express
acquires
Comair
routes
including
Skukuza,
Richards
Bay and
Gaborone

1997
SA Express
introduces
CRJ 200
into the
fleet

1998
Captain Aloma
Stevens, First
Officer Karen
Croukamp, Cabin
crew Annelise
van Jaarsveld and
Tuli Mocumi are
the first all-female
crew

The TRC closes down after 2 years of hearings

1999
SA Express
commences
operations in
Eros, Windhoek.
SA Express
opens the Cape
Town base

Robben Island declared was declared a World Heritage site

2000
SA Express
appointed by
government to
collect Calli
and Monique
Strydom
(freed by
hostage takers)

The second National Democratic Election

2001
SA Express
acquired by
Transnet from
Thebe
Investments

The first world conference (WCAR) held in Durban

2002
Boni Dibate
becomes the first
female CEO
of a South African
airline

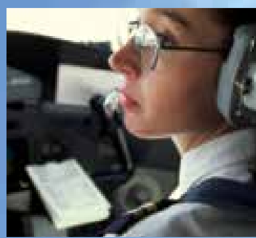
Mark Shuttleworth becomes the first South African in space

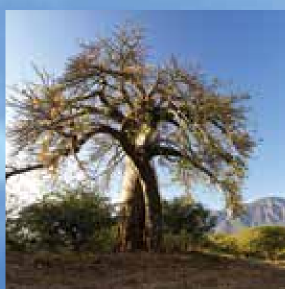
2003
SA Express
commences
operations
in Tanzania

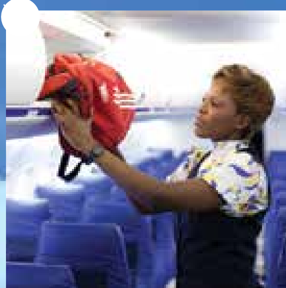
The ICC Cricket World Cup is co–hosted by South Africa

2004
SA Express
celebrates
10 years
of service

The third National Democratic Election







2005 SA Express commences operations in Kruger Mpumalanga International Airport

The Southern African Large Telescope is inaugurated in the Karoo

2006
SA Express signs for first Q400 aircraft

The 16th World Economic Forum takes place in Cape Town

2007
SA Express receives Annual Reliability Award, named Top Performing Company in the Public Sector

SA Express is transferred to the Department of Public Enterprise

The Springboks beat England in the Rugby World Cup Final in Paris

2008
SA Express nominated as one of the top 500 Best Managed Companies

SA Express introduces CRJ 700 aircraft into the fleet

2009
SA Express awarded AFRAA Regional Airline of The Year

SA Express receives Allied and Aviation Corporate Business Award

Nelson Mandela's 91st birthday. "Nelson Mandela International Day" is adopted by the United Nations

2010
SA Express awarded Bombardier Reliability Award for Middle East and Africa

South Africa hosts the FIFA World Cup, commencing in a packed Soccer City, Johannesburg

2011
SA Express receives Global Award for effective Brand Transformation

United Nations Framework Convention on Climate Change held in Durban

2012
SA Express accredited by Bombardier as its first Commercial Aircraft Authorised Facility in Africa

SA Express awarded route rights to fly from Durban to Lusaka and Durban to Harare

Announcement that the majority of the SKA telescope to be built in South Africa

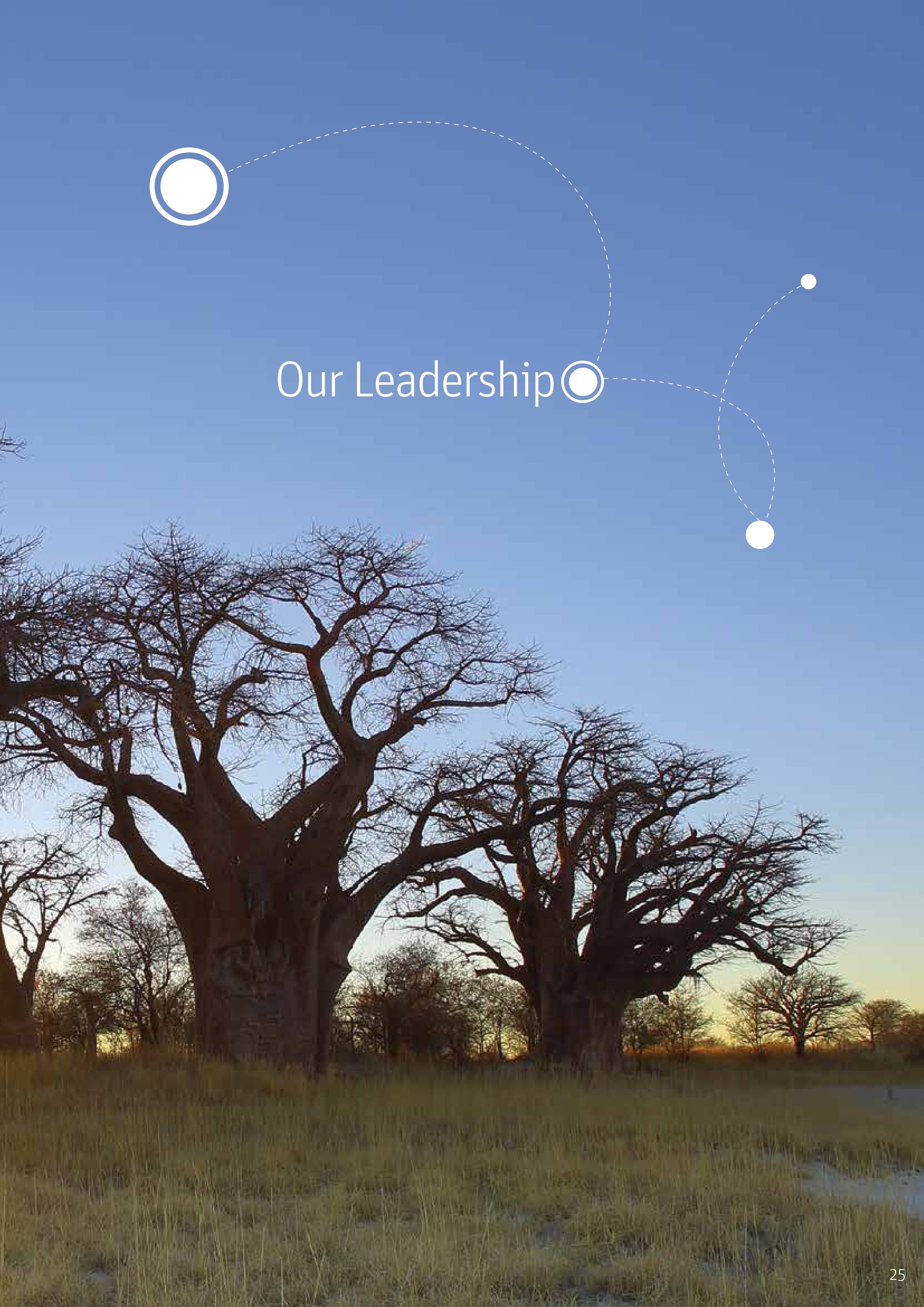
2013
South Africa's first democratically elected President Nelson Mandela passes away

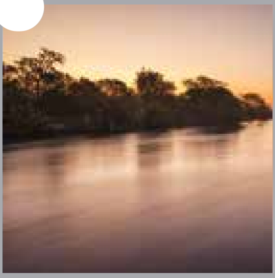
2014

2014
SA Express celebrates its 20th year of success

The fourth National Democratic Election takes place

Our Leadership





Board of Directors

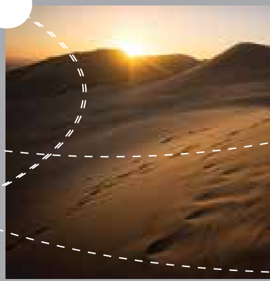
ANDILE MABIZELA
Chairperson and Non-Executive Director - was appointed as the Chairperson of the Board on 13 August 2012. He holds a degree in Economics as well as an LLB. Notwithstanding holding various executive positions, he has also held various Board positions spanning Stanlib Limited and in the aviation Industry. He has also served on regulatory Boards such as The South African Bureau of Standards, the Eastern Cape Gambling Board and the SA Tourism Council. He currently serves as Chairperson of Johannesburg Property Company (JPC) and is also a Board member of South African Airways.

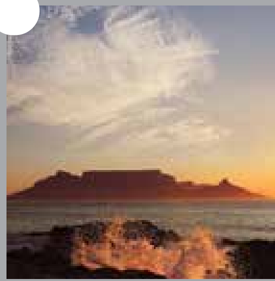
INATI NTSHANGA
CEO and Executive Director- has been CEO and Executive Director of SA Express for the last 4 years. Prior to his current position, he was the General Manager in charge of Strategy and Business Development. Before this he was also in charge of the Commercial department, including Airport Operations. Inati has over 15 years' aviation expertise, ranging from strategy, business development, project management, sales and marketing, including executive management roles at SAA in Strategy, airport operations, commercial. He also held senior leadership and executive positions at Old Mutual Personal Financial Advice and was a consultant at Bain & Company. He holds a BA Economics (Harvard), Global Executive Development and Board Leadership Programme (GIBS). He is a board member at Ukuvula Holdings and Suikerkop Lughawe (PTY) LTD. He is also a member of the executive committee of AASA (Airlines Association of Southern Africa) and has served as First Vice Chairman on the Executive Committee of African Airlines Association for 3 years. Inati is a father of 3 children, Fikile, Namhla and Musa.

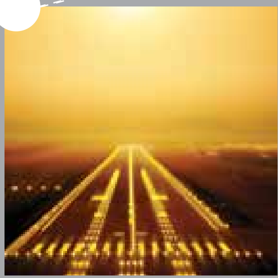
ZANELE NGWENYA
CFO and Executive Director
(Resigned - 31 March 2014)
was appointed as an Executive Director and CFO on the 1st of December 2012. He holds a CA (SA), MBA (Gibs, University of Pretoria), B Com (Accounting – Honours (UKZN), B Com (Economics and Accounting) (UDW) Managerial Finance, Corporate Finance, Business Strategy, Valuations, Financial Modelling, Management Consulting, Auditing, Investments and Corporate Governance.

BONI DIBATE
REMCO Chairperson
holds a BA Social Science, an MSC degree in Clinical Psychology, has completed the Top Management Program for Public Enterprises at Singapore University, a Senior Executive Development Program from Harvard Business School, an Airline Management Integration Program and a Creative Airline Alliances and Strategic Partnerships certificate from Jordan. She has held various executive positions, including being CEO of Esselenpark Centre of Excellence and South African Express Airways. She was the Chairperson of the Tourism Business Council of SA and East Gate Airport, a Board member of the University of Pretoria, the president of the Business Women Association and is currently a director of Dark Fiber Africa.

MS NOSIPHO GXUMISA
Ms Nosipho Gxumisa holds a B. Eng (Hons) Manufacturing degree, a Post Graduate Diploma in Management (Business Administration), a Master Programme in Supply Chain and is currently busy with an MBA. She has also been the recipient of various awards and scholarships. She has held executive positions at various companies including Air Chefs, South African Airways and De Beers Consolidated Mines.







EZROM MABYANA
holds diplomas in Financial Management and Professional Presentation. He has been a former trustee of three major Retirement funds in South Africa, namely TRANSNET Retirement Fund, Security Sector Provident Fund and COSATU's Kopano Ke Maatla Trust Fund. He is also a former Director of some of South Africa's blue-chip companies, including Jonnic, Premier Milling, Johncon (Now Avusa) and SARHWU Investment Holdings. He also held the position of president of COSATU's biggest Transport Union, Transport and Allied Workers Union for over 10 years.

NEO MOSHIMANE
holds a BA in Law, an LLB and an LLM. She has also completed various financial and leadership development programmes. She is currently an executive director of Dm5 Incorporated and has been a trustee for the Cida Empowerment Trust and the Young Entrepreneurs South Africa. Before establishing Dm5, she held various executive positions at both legal and financial institutions.

GEORGE MOTHEMA
holds a B Proc degree and has extensive experience in Corporate Governance. He has held various governmental, legal and Company secretariat executive positions including South African Express Airways and South African Airways. He has considerable Board experience in the Aviation and Commuter Transport sectors and was previously the Chairperson of the Board of South African Post Office.

KARABO NONDUMO
Chair of ARC
holds a CA (SA) qualification and has experience in various sectors including natural resources, financial services, media, telecommunications, aviation and energy. She currently holds directorships at Harmony Gold Mining Company Ltd, Rolfes Holdings Ltd and Merafe Resources Ltd. She is an Executive Director of Igagu Communications. She is a member of Senatla Advisory Board and Trustee of Innovator Trust. She is a member of African Woman Chartered Accountants (AWCA) and SAICA. She is a mentor at Shanduka Black Umbrellas.

DR BRIGETT SSAMULA
SHE Committee Chair
holds a PhD in Transportation Engineering and an MBA in Aviation Management from Embry Riddle Aeronautical University. She is an expert in transport and serves on the panel of experts advising the Gauteng Transport Commission within the Gauteng Provincial Government. She has been the recipient of numerous industry rewards and recognitions and is the author of a variety of peer-reviewed conferences, conference papers, technical articles and articles with an ardent interest in African Aviation issues.

Executive Management

DAVE ALLANBY
General Manager:
Flight Operations

A qualified pilot, Captain Dave Allanby is responsible for daily airline flight operations. His portfolio includes ensuring compliance to civil aviation legislation and IATA standard operating procedures, flight deck and cabin crew administration, schedule crew rosters and the planning of all aircrew training. Prior to joining SA Express, Captain Allanby spent eight years as the Chief Pilot of Gencor Aviation and prior to that he was at South African Airways for eight years. At SA Express, Dave's previous roles included Audit Captain, Chief Pilot and Executive Manager: Flight Operations. He is currently Principal Officer of the Pension and Provident Fund and Lead Negotiator in annual union salary reviews.

WESLEY HERMANUS
General Manager:
Ground Operations

Hermanus is in his second year of heading up the Ground Operation portfolio of SA Express. Before joining Ground Operations he was responsible for Human Capital for five years, where he was instrumental in transforming the area from an administrative function to a strategic business partner. He joined SA Express from Discovery Holdings, after working at South African Airways for 10 years in various management positions. He held various positions in Human Capital and Operations.

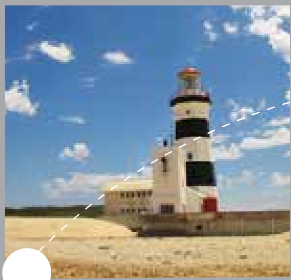
Hermanus holds a Human Resource Development qualification, a Masters in Business Administration & Industry Relevant Qualifications.

PETER MASHABA
General Manager:
Technical maintenance and Engineering

Mashaba's role at SA Express is to ensure the safe operation of the airline through compliance with Civil Aviation Authority (CAA) regulations, aircraft manufacturer's requirements and international standards set by IATA. His 15 years of experience in the aviation industry includes working at the SACAA to oversee safety of airlines and 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.

MERRIAM (CHUEU) MOCHOELE
General Manager:
Legal, Risk and Compliance

Mochoele holds a B Proc. degree from the University of the Limpopo, and is an admitted attorney of the High Court in good standing. She also holds a Management Development Programme from the University of Pretoria and a certificate in Management of Aviation Quality and Service, from IATA. Formerly employed at the Civil Aviation Authority (CAA) as a Senior Legal Advisor where she also acted, on a number of occasions, as an Executive Manager Legal. She further worked as a Director of Safety and Security at the Department of Transport with a most recent assignment being with the Gautrain Management Agency (GMA), as the Executive Manager Compliance. She has a remarkable international law experience acquired whilst representing South Africa on the ICAO Legal Committee, including its various sub groups and commissions.

KGATILE NKALA
General Manager:
Human Capital

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

BRIAN TEBOGO VAN WYK
General Manager
Commercial

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

ESTE WELMAN
General Manager:
Performance Management
(Resigned)

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

BONGANI MATHEBULA
Company Secretary

Having joined SAX in January 2014, Mathebula is in her first year of heading Company Secretariat for the company. Mathebula completed a B Proc. with the University of Limpopo and holds a Master's Degree in Commercial Law with the University of South Africa. She later studied and acquired the following certificates: Advanced Corporate Law, University of South Africa and Cert. Board Leadership, GIBS. An admitted Attorney and Conveyancer in good standing with more than 12 years post-admission experience, she has practised as an Attorney for 3 years and worked as a Corporate Attorney for over 9 years; from Proctor, Senior Legal Advisor and Company Secretary in blue chips including University of Limpopo, Roads Agency Limpopo and the Limpopo Economic Development Agency.

The Chairperson's statement

Celebration of 20 years of existence

This year we celebrate our historic 20th anniversary, which coincides with the two decades of our fledgling democracy. Over the years, SA Express has evolved to being the second largest airline in South Africa in terms of fleet and domestic coverage. It has continued to cement itself as a strategic role player in the domestic and regional markets with 1188 employees, 37 300 flights, 29 stations and a route network spanning the majority of the SADC region.

Compliance and Governance Environment

As the Board, we have a collective role that includes strategic oversight of the entity, with compliance with the PFMA. Furthermore, as a board, we are also seeking to ensure that SA Express is sustainable and the legacies of the past financial challenges are not repeated.

Together with Management, we have begun this process with our ongoing efforts to cement the turnaround of the Company through strengthening the internal control environment and adherence to the highest standards of corporate governance. We are dealing with the legacy issues by improving internal governance as well as ensuring the financial sustainability of the business. Moreover, we have also committed to ending the recent past of qualified audits.

Financial Performance

As a regional carrier, SA Express has not been immune to the pressures affecting the aviation industry, with the delayed impact of the global recession contributing to a decline in revenue for the year under review. Furthermore, the economic pressures affected the disposable income in both domestic and regional markets. Since the majority of passengers are South African travellers, the slow economic recovery has had a negative impact on the airline's profitability. The slow growth in the domestic economy has also led to the airline reviewing its regional expansion into markets that had been deemed viable prior to the economic downturn.

SA Express has posted a loss in the Financial Year 2013/14 compared to a profit of R0.65m in the previous Financial Year 2012/13. Notwithstanding these challenges, a total of R87m in cost savings was derived through savings initiatives. The airline's Board requested Management to focus on cost discipline during this reporting period. Due to the successful implementation of the initial Cost Saving exercise, the Board has urged the team at SA Express to maintain its focus on cost reduction initiatives.

SAX 20/20 Vision

In the quest for sustainability and balance sheet optimisation, the Company engaged the services of various aviation and financial advisory service providers in drafting the SA Express 20/20 Vision Strategy. The strategy was primarily drafted by the Senior Executive Management of SA Express, with the Board actively involved. I am pleased with the outcome of this document as it seeks to project the sustainability of SA Express for the next 20 years.

Furthermore, as a State Owned Company (SOC) and through the implementation of SAX20/20, SA Express will play a catalytic role in driving the airline's dual mandate. This is characterised by achieving the developmental state objectives, sustainability in the region, skills development and job creation, expansion into the African region and remaining commercially viable.

The strategy is also part of the airline's commitment to the development of a "Whole of State Aviation Framework", a joint effort by both SA Express and South African Airways (SAA) endorsed and supported by the Shareholder Representative – Department of Public Enterprises.

In conclusion

The Board extends its gratitude to the Shareholder Representative, the Department of Public Enterprises for their strategic direction and support during the year under review. Furthermore, the board extends its thanks to our many stakeholders across different sectors and we will continue to partner with them to create sustainable value for our Shareholders. Finally, the board would like to send its appreciation to the SA Express employees for their dedication and commitment during this challenging period.

Mabizela

A. Mabizela
Chairperson and Non-Executive Director

Chief Executive Officer's Statement

The year 2013/2014 was a memorable one for African Aviation, as we saw top aviation executives converge in Cape Town for the International Air Transport Association's(IATA) 69th Annual General Meeting held in Cape Town in June 2013. Moreover, in April 2014, SA Express celebrates 20 years in aviation, while SAA celebrates 80 years in aviation. Coupled with that, April 2014 marks the 100th anniversary of the first-ever scheduled commercial airline flight. A century later, commercial aviation has become a global industry.

The 69th Annual General Meeting in Cape Town was only the second one held on African soil after Nairobi hosted it in 1991. As remarked by the Minister of Public Enterprises, Malusi Gigaba, whilst delivering a keynote address at the AGM, "Air transport is crucial to ensuring sustainable growth in Africa as it has a significant impact on the global economy and the way people live... The airline industry is extremely dynamic and is subject to continuous changes... The South African Government realises the importance of aviation to its economic development and has in the past ensured increased support for the industry."

Within our continent, air travel has continued to play a key role in economic growth, job creation and connecting people. Remote areas within Africa have been connected through runways, enabling economic and social development. As SA Express, we are proud that for 20 years we have contributed to the success of commercial aviation by connecting people and markets across the continent. We remain committed to supporting our vision of connecting small cities with bigger metropolises to play an enabling role in economic growth by promoting business and tourism travel between these destinations.

Despite the implementation of robust strategies to keep airlines sustainable, the extremely volatile nature of the airline industry has continued to squeeze profit margins. The high oil prices, increased airport charges and the devaluation of the Rand have kept competitive pressures soaring, with the fuel prices at all time highs. According to Tony Tyler, CEO of IATA: "We expect the global industry to make $11.7 billion this year, increasing to $16.4 billion in 2014. These may seem like big numbers." Even with expected increased profit margins in the industry, it is important to note that the airline industry is characterised by thin margins due to high operational costs.

Tyler continues to note that the African region will still remain the weakest in profitability with the past two years as indicators. "In the African region, profits will barely be positive ($100 million), and represent just $1.64 per passenger and a margin of just 0.8% on revenues," concludes Tyler.

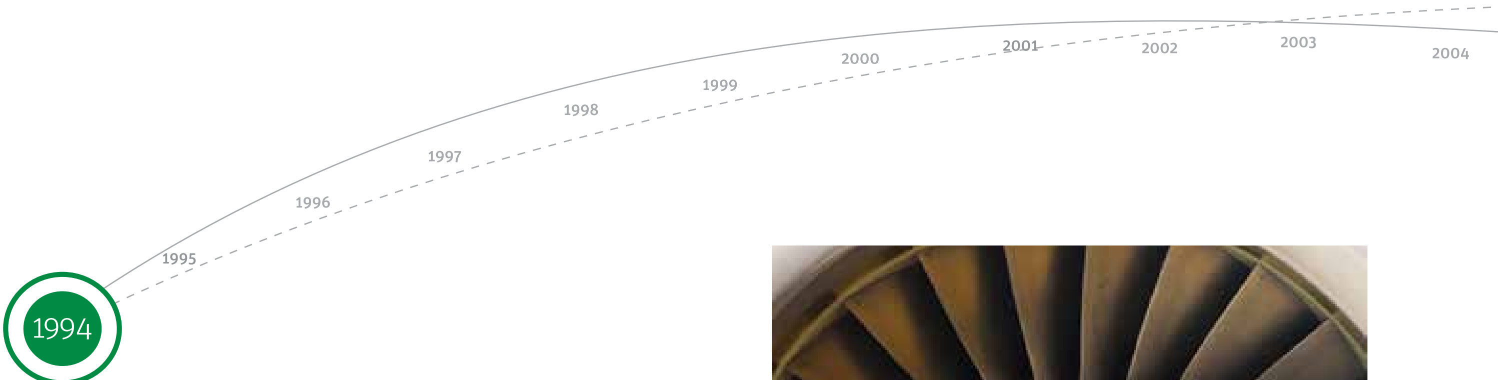
Regardless of thin margins in the industry, new entrants are always charging forward to gain market share. Competition is always welcomed in the domestic market as it leads to progress and seizing opportunities. In South Africa, the aviation industry was expecting 4 new low-cost entrants in the market in 2013. These include Skywise, FlySafair, 1time and Fastjet. However, the industry is a tough one to trade in as witnessed by the termination of airlines such as 1time, Nationwide and Velvet Sky. Furthermore, barriers of entry are also stringent, with existing players firm on retaining their existing market share.

This past year has also been one of intense activity with regards to our growth ambitions. We launched four new routes: Durban to Harare, Cape Town to George, Johannesburg to Nelspruit, and Johannesburg to Pietermaritzburg. SA Express has stayed true to the mantra of connecting small towns to bigger ones and flying tourists and business people. Our studies have shown that there is enough passenger growth and market demand for these new routes and we therefore launched them because of the demand for tourism and business travel we saw. Instead of just flying tourists and business people in South Africa, we have also added routes that connect small South African destinations with capitals around the region of Southern Africa. For example, most recently we have started new routes – connecting Durban to Lusaka, Zambia, and Harare, Zimbabwe. We are adding new routes every year as we get to understand the travel needs of our customers better. We are also committed to making air travel as widely accessible to as many South Africans as possible. Flying shouldn't be a luxury for the rich few.

Furthermore, as a State Owned Company we have a developmental responsibility to play a significant role in supporting the New Growth Path and the National Development Plan. Without a doubt, skills development is critical for South Africa's economic growth. To realise the goals of the National Development Plan, we have focused on skills development to ensure that our employees are equipped with the necessary skills needed to achieve our goals. We have trained over 900 employees and some of these courses include: Back to Basics (disciplinary and grievance procedures and presiding officer training); Finance for Non-Finance Managers and Performance Management Masterclass. Furthermore, within this financial year we have partnered with TETA, Department of Public Enterprises and Department of Transport through initiatives such as career exhibitions, aviation awareness and are actively looking for South Africans to pursue careers in aviation.

We are pleased that our Mach 1 cadet pilot training programme has absorbed 10 young people from previously disadvantaged backgrounds, with 8 of them being women.

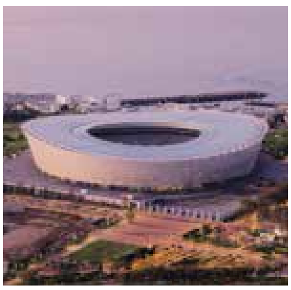


This signals our strong intent to create aviation awareness among disadvantaged communities in South Africa and address the issue of skills shortage. Hopefully, through these diverse initiatives, we will be able to inspire, identify and support future pilots and engineers who will shore up our strong credentials as by far the most transformed airline in South Africa.

In 2014, SA Express is celebrating 20 years in aviation. This also coincides with South Africa celebrating 20 years of democracy. Just like the new South Africa that inaugurated Madiba as its first democratically elected President, we were born on 24 April 1994, three days before millions of fellow South Africans voted for the first time. The milestone of 20 years provides us with an opportunity to reflect on the progress we have made as an organisation to fulfil government's aim of facilitating socio-economic development in both South Africa and throughout the rest of Africa.

While celebrating our achievements, we must also look forward to the next 20 years. SA Express is continuing to implement its SAX 20/20 Vision, our Board-approved strategy. This is our road map for consolidation based on lessons of the last 20 years, and laying the foundation for growth in the next 20 years. Apart from adding new routes and reprioritising existing ones, we are investing in our aircraft. Our guiding principles for this exercise include improvement of safety and reliability, and deploying a fleet that is cost-effective and efficient and, most importantly, utilising aircraft that are environmentally friendly. The first step of this investment process is the appointment of a suitably qualified firm of professionals to act as our advisers on the fleet acquisition process. This is the start our investment for the next 20 years of SA Express.

Moreover, cost cutting continues to be our area of focus. The cost-cutting initiative was championed by SA Express Management to overhaul some of the operational costs that the airline was exposed to. Against a target of R70 million for the 2012/2013 financial year, a cost saving of R129 million was achieved. Under the current year in review, R88 million was attributed to the cost-cutting initiative. The success of this is due to the SA Express team for their continued tenacity and hard work. Though the business is making the right decisions and heading in the right direction, we cannot afford to be complacent as a lot still needs to be done to ensure that we champion a sustainable operational and financial performance.



SA Express has also invested significant resources to contribute towards Corporate Social Investment (CSI). Our CSI contributions have ranged from flying in young people for the first time from Bloemfontein to Johannesburg, to donating scientific calculators at aviation awareness days, to sponsoring wheelchairs to children affected by cerebral palsy. Ours is to make a difference in the communities that we operate in as well as deliver on Shareholder value.

What continues to differentiate us is that we are putting our customers at the centre and providing them with more competitive travel options whilst stimulating market demand. We have great ability to grow in areas where we have the real specialism that others don't and remain on track to fulfil our vision of being a sustainable world-class regional airline with an extensive footprint in Africa.

I. Ntshanga
CEO and Executive Director

Interim Chief Financial Officer's Statement

Introduction

The objective of this section is to provide an insight into the financial performance for the year ended 31 March 2014. This report should be read in conjunction with the attached Annual Financial Statements.

Financial Performance

Revenue

Despite the continuing challenging global economic conditions in the airline industry, South African Express Airways managed to realize a growth of 13.5% (R304m) in airline related revenue compared to 2013, attributable to the increase in average yield achieved. Average yield increased by 11.8% year on year, whilst passenger numbers declined by 3.3% year on year. The average load factor for the year was 64.7% compared to last years load factor of 64%

Operating costs

The operating costs increased by 12% (R279m) compared to 2013, which is mainly attributable to the increase in employee costs of R63m, impairment of assets of R88m, increase in ground support and passenger handling by R40m and increase in repairs and maintenance by R40m. The increase in fuel costs has been offset by an increase in the fuel levy received from passenger recharges.

The airline has booked several non-operating costs relating to impairments of rotable components. These impairment adjustments amounted to R69m. The impact of this adjustment is included in the operating loss.

Operating loss

Operating loss for 2014 was R51m compared to a restated operating loss of R32m in 2013 which represents a decrease of R19m attributable to an increase in total revenue of R260m that is lower than the increase in operating costs of R279m, which includes the impairment provision of R69m.

The company has embarked on a review of all contractual costs, as well as an extensive review of its flight schedule and route network in order to focus on improving customer service levels and enhancing profitability. This is part of the SAX 20/20 strategy that includes a fleet renewal plan as well as a detailed plan to return the company to a sustainable profit generating position.

Finance Costs

Finance costs increased to R39m compared to R25m in 2013 as a result of higher average borrowings compared to the prior year as well as the increase in local interest rates.

Financial Position

The statement of financial position remained weak as the company ended the year with a cash and cash equivalents of R73 000 when compared with the R22m in 2013. The overdraft utilization increased to R95m compared to R91m in 2013.

The company's cash cycle remains tight, and the business is currently investigating various options to minimize the impact of non-profitable routes.

The impact of the weaker ZAR/USD exchange rate impacted negatively on USD based costs, including network costs and IT transaction costs.

A further negative impact on the cash flow and related borrowings and profitability of the company is the fact that the cash neutrality advance for ticket sales has not increased for the past 3 years, despite the increase in fares and increase in passenger revenues. An interim amount of R36.7m has been paid to the company as at 18 June 2014, and will be reviewed on a quarterly basis to ensure that the necessary adjustments are made.

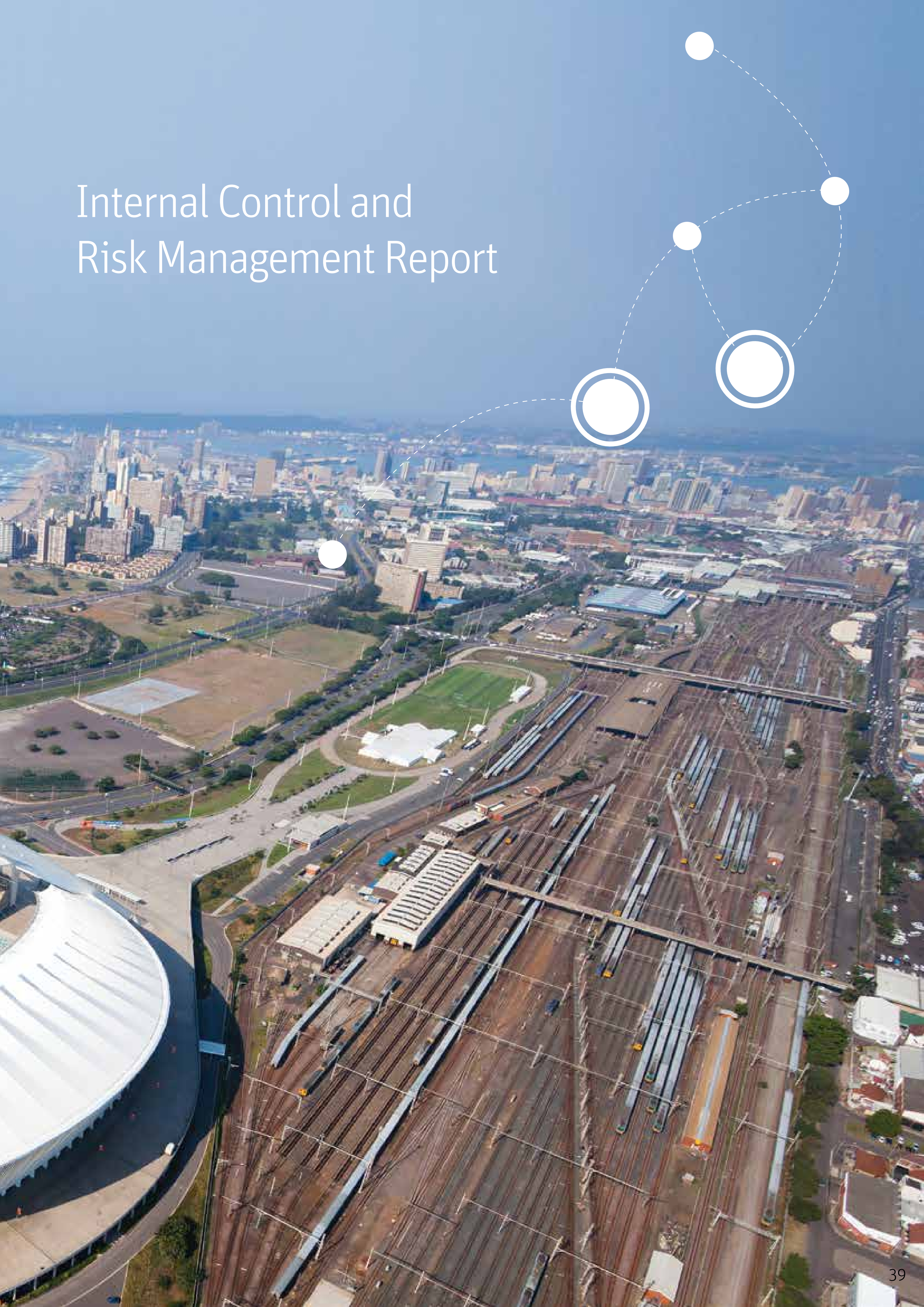
The balance sheet indicates that the company is in need of urgent recapitalization, by way of permanent equity funding, as the balance sheet cannot bear more debt. Short or long term debt funding will further hamper the profitability of the company.

Borrowings

The company has decreased its net borrowings position by R10m over the year, however the company has been cash strapped and has incurred additional interest charges on late payments.

Mark Shelley
Interim - Chief Financial Officer

Internal Control and Risk Management Report



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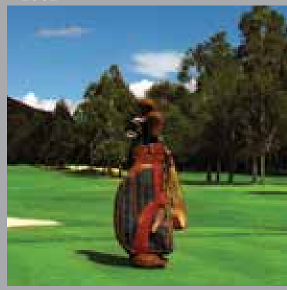


The Company is committed to providing effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interest of the entity. An Internal Control Plan drafted in the year under review – ensures that there is exercising of oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Additionally, the leadership is expected to perform the following duties:

- Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored

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

- Develop and monitor the implementation of action plans to address internal control deficiencies

- Establish an IT Governance Framework that supports and enables the business, delivers value and improves performance

Corporate Governance

To adhere to governance requirements, the Company is steadfast on maintaining principles of good corporate governance to guarantee that the business is managed with integrity, fairness, transparency and accountability.

Implementation of appropriate risk management activities ensures that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored. The recent establishment of an Internal Audit unit attests to the plans to ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

Internal Controls over Financial Reporting

As committed on the Shareholder Compact in the year under review, the Company drafted a Strategic Deliverable – Internal Controls Plan to be submitted to the Shareholder. Furthermore, implementation of initiatives is underway and the review of the plan will be undertaken as and when required.

The Audit and Risk Committee developed the Internal Financial Control (IFC) checklist utilised as an internal measuring tool in the Finance department. The checklist aims to prevent and detect any internal control weaknesses that may possibly occur during the normal course of business. The responses captured on the checklist will give Finance management an indication of the level of internal control compliance.

The checklist was implemented and reviewed monthly from January 2014 and is expected to be fully effective on during FY 2014/15.

The self assessment IFC will be conducted on a quarterly basis with all the findings and recommendations communicated to the Senior Internal Auditor.

Financial and performance management implementation ensures proper record-keeping in a timely manner so that complete and accurate information is accessible and available to support financial and performance reporting. The Company is committed to implementing controls over daily and monthly processing and reconciling of transactions and preparation of regular, accurate and complete financial performance reports that are supported and evidenced by reliable information.

The review and monitoring of compliance with applicable laws and regulations; complementary Information Technology design and implementation of formal controls through IT systems ensures reliability of systems, accuracy and protection of information.

Internal Control Framework

The Company continues to review its internal control processes to ensure it maintains a strong and effective internal control environment. During the period under review an Internal Audit unit was formulated with the effectiveness of the process frequently reviewed by the Company's Audit and Risk Committee.

Elaboration on the Company's internal controls is unpacked within this section and Governance Section of this Report.

Risk Management

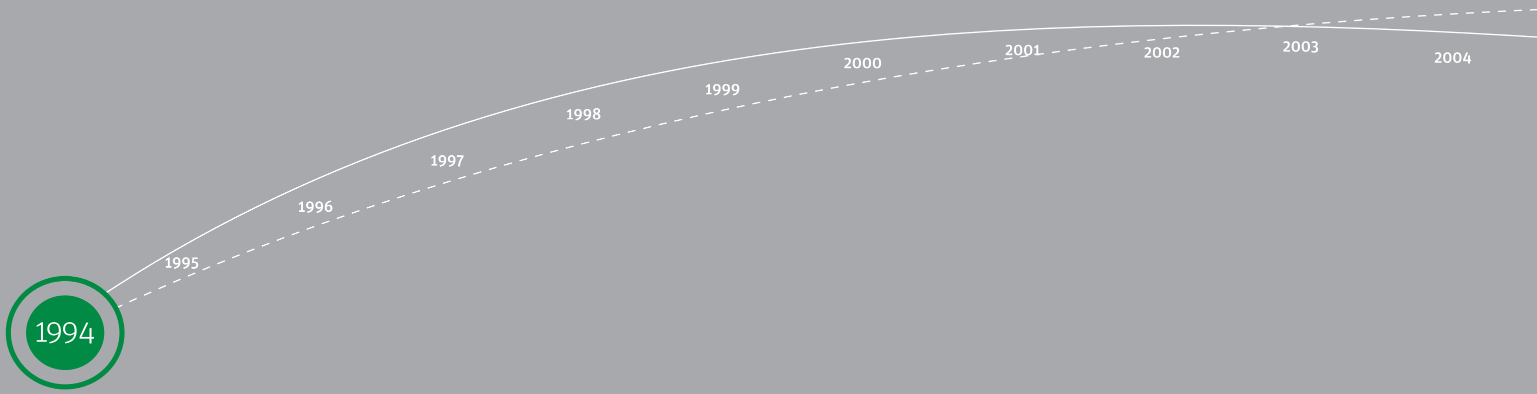
Key risks and management remedial actions

The financial-related risks remain a concern to SA Express, and this is exacerbated by the current tough economic conditions. In order to mitigate these risks, SA Express is engaging with the Shareholder for support, whilst at the same time implementing other alternative ways of strengthening the company's financial position.

a. Debt Funding

The Company like any other airline, is inherently exposed to a variety of financial risks, including market risks, credit risks, capital risks and liquidity risks. The Board approves prudent financial policies and delegates certain responsibilities to Executive Management who directly control day-to-day financial operations and who operate within clearly defined parameters.

The Company carries substantial debt that needs to be repaid. The ability to finance ongoing operations, committed aircraft orders and future fleet growth plans is vulnerable to various factors including institutions' appetite for secured aircraft financing. The Company attempts to maintain substantial cash reserves and committed financing facilities to mitigate the risk of short-term interruptions to the aircraft financing markets. The Company, in addition, continually monitors its cash position and further undertakes long-term planning of its capital requirements.



b. Currency Fluctuations

The Company reports in South African Rands, the exchange rate of which varies relative to other currencies. A significant portion of the Company's costs are incurred in foreign currencies, mainly the United States Dollar. The movement of these currencies could have a positive or negative impact on the Company's income, expenses and profitability. Unrealised and realised currency gains or losses may distort the Company's financial accounts. The Company has a policy in place to govern the hedging of currency exposure.

c. Safety of Passengers and Employees

From a Safety and Security Oversight perspective, a Safety, Security, Health, Environmental and Quality (SSHEQ) Board Sub-Committee exists. Safety and Security are high on the agenda of this committee, and we aim to always ensure that our stakeholders, as well as their possessions entrusted to us, are safe and secure at all times. To this end, we continuously adhere to the compliance standards set by various regulatory bodies, including the South African Civil Aviation Authority (SACAA).

In order to further enhance the security of our customers' possessions, in September 2013 the Company introduced a free baggage wrapping service for its customers. This was a pilot project aimed at establishing if this would result in the reduction of baggage pilferage and/or damage. The project proved to be successful in that there was indeed a reduction in the number of bags pilfered and/or damaged. The Company is currently considering the prospect of incorporating this service into its other various services available to its clients, on a permanent basis.

d. Aircraft Safety

During the year under review, the company was audited by the SACAA, both from a safety and security point of view, and there were no major findings, just a few minor improvement recommendations, which have since been implemented. This should give our customers peace of mind, knowing that SA Express is at all times safe and secure.

Maintenance of the Company's fleet of aircraft is regulated by the South African Civil Aviation Authority and audited by the European Aviation Safety Authority.

Further, in order to strengthen its safety systems the Company has implemented the following:

- **Implementation of the IATA Operational Safety Audit ("IOSA")**

  The IOSA is an internationally recognised and accepted evaluation system designed to assess the operational management and control systems of an airline. The Company's approach to aviation safety is one of oversight and audit as defined within the context of the discipline of the IOSA audit structure, namely, flight, ground, cabin maintenance, security and dispatch. The Company has participated in the IOSA programme since 2006 and has successfully undergone a total of four unqualified audits.

- **Implementation of safety management system**
  The Company has a safety management system ("SMS") to address all aspects of aviation and ground safety. The purpose of the SMS is to ensure that safety management systems are in place and to ensure that risks affecting safety are controlled and appropriately mitigated. The Director of Operations monitors the Company's performance against defined objectives and the Board reviews the Aviation Safety Goal matrix at its quarterly Board Meetings.

Brand Reputation

Erosion of a brand may adversely impact the Company's position with its customers and could ultimately affect future revenue and profitability. The Company's Executive team regularly monitors customer satisfaction through surveys as well as ongoing improvements in the Company product offering in order to mitigate this risk. The Company allocates substantial resources to safety, security, onboard product and young aircraft.

Competition

The level and intensity of competition are critical drivers of profitability for any airline, and in recent years, competitive pressures have proved a significant challenge for all airlines in South Africa. The level of competition faced varies considerably in different areas of the network, which must be taken into account alongside demand when considering future strategy. Despite the challenges faced by the industry globally and the recent failure of low-cost airlines in South Africa, three new entrants – are expected to enter the market in 2014/2015.

These new entrants are expected to increase the competition in the South African airline industry. The airlines are likely not only to rival low-cost carriers only, but SA Express with increased competition in primary and secondary routes' domestically and within SADC.

SA Express operates a total of 29 routes, with 20 domestic and 9 regional routes; with operations on 7 exclusive routes. The past financial year saw the introduction of three new routes: Cape Town–George, Johannesburg–Nelspruit/Kruger and Johannesburg–Pietermaritzburg.

The competitor landscape is as follows:

Domestic	**Area**	**Competitor**
Cape Town	Bloemfontein	Mango
	George	Airlink
	Johannesburg	SAA, Kulula, Mango, Comair
	Kimberley	Airlink
Durban	Port Elizabeth	Comair, Mango
	Cape Town	SAA, Kulula, Mango, British Airways and Mango
Johannesburg	Bloemfontein	Airlink, Mango
	East London	SAA, Kulula, Mango, British Airways
	Cape Town	SAA, Kulula, Mango, British Airways
	George	SAA, Kulula, Mango, British Airways and Airlink
	Durban	SAA, Kulula, Mango, British Airways
	Port Elizabeth	SAA, Kulula, Mango, British Airways
	Richard's Bay	Airlink
	Nelspruit	Airlink
	Pietermaritzburg	Airlink
	Kimberley	Airlink

Regional	Area	Competitor
Cape Town	Walvis Bay	Air Namibia
	Windhoek	Air Namibia
Johannesburg	Gaborone	Airlink, Air Botswana
	Walvis Bay	Air Namibia
	Windhoek	SAA, Kulula, British Airways, Air Namibia

Information Systems Security and General Risk

To counter possible threats and manage the Company's dependency on information technology ("IT") systems for most of its principal business processes, system controls, disaster recovery and business continuity measures exist to mitigate the risk of a crucial system failure. The failure of a key system may cause significant disruption and/or result in lost revenue. IT governance measures have been put in place in accordance with the requirements of King III.

General and Application Controls

For executive oversight the appointed Divisional Manager IT reports to the Chief Financial Officer. No security breaches occurred during the period under review. The Company's IT department worked closely with service providers to achieve full efficiency on the Company's networks and customer-facing systems.

Landing Fees and Security Charges

Airport taxes, landing fees and security charges represent a significant operating cost to the Company and have an impact on operations. Whilst certain of these charges are passed on to passengers by way of surcharges and taxes, others are not. The Company regularly engages with various industry bodies and government in an attempt to keep these costs under control.

Employee Relations

A sizeable number of the Company's employees are members of trade unions. The Company enjoys a good working relationship with the trade unions and recognition agreements are in place with wages negotiations taking place annually. Policies are in place to manage labour relation.

Key Supplier Risk

The Company is dependent on suppliers for some principal business processes. The failure of a key supplier to deliver contractual obligations may cause significant disruption to operations. A close relationship is maintained with key supporters in order to ensure awareness of any potential supply chain disruption. The Company further continually monitors its key suppliers.

Fraud prevention and compliance

Over and above the internal processes implemented to curb and report fraud activities, SA express employs the services of an external service provider to handle suspected fraudulent activities. All matters reported independently and anonymously to the service provider are reported to the board and/or senior management for actioning. The independence and anonymity in which the matters are handled goes a long way in promoting improved reporting. Each report receives high-level attention, and as action is taken, results are shared with the service provider as part of a full circle communication. With regard to compliance, SA Express continued to strengthen its internal processes as well as the monitoring of compliance therewith through internal quality control audits, with all findings (most of which were minor) closed within reasonable time frames. SA Express continues in its compliance path.

Broad-Based Black Economic Empowerment

SA Express recognises the importance of implementing a Broad-Based Black Economic Empowerment ("BBBEE") programme and continues to make significant progress on the sustainable transformation agenda with the airline refining processes to ensure that B-BBEE requirements are met.

Our B-BBEE Strategy ensures that the Company remains an integral part of the political, social and economic community in South Africa in order for SA Express, as a State Owned Company and Corporate citizen, to meet its developmental state objectives. The airline is committed to facilitate economic transformation through leveraging the airline's procurement spend, in support of the Shareholder – Department of Public Enterprises' Competitive Supplier Development Programme which promotes industrialisation and localisation. Additionally, the Cadet Programme, Learnerships and Apprenticeship initiatives are a vehicle for transforming employment equity as part of Socio-Economic development.

The following developmental objectives are an imperative and used in consultation with relevant policies such as the Competitive Supplier Development Programme (CSDP), National Industrial Participation Programme (NIPP), Youth Economic Participation (YEP), New Growth Path (NGP) and National Development Plan (NDP):

- Job Creation & Skills Transfer
- Economic Value Creation
- Broad-Based Black Economic Empowerment
- Social Economic Development

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

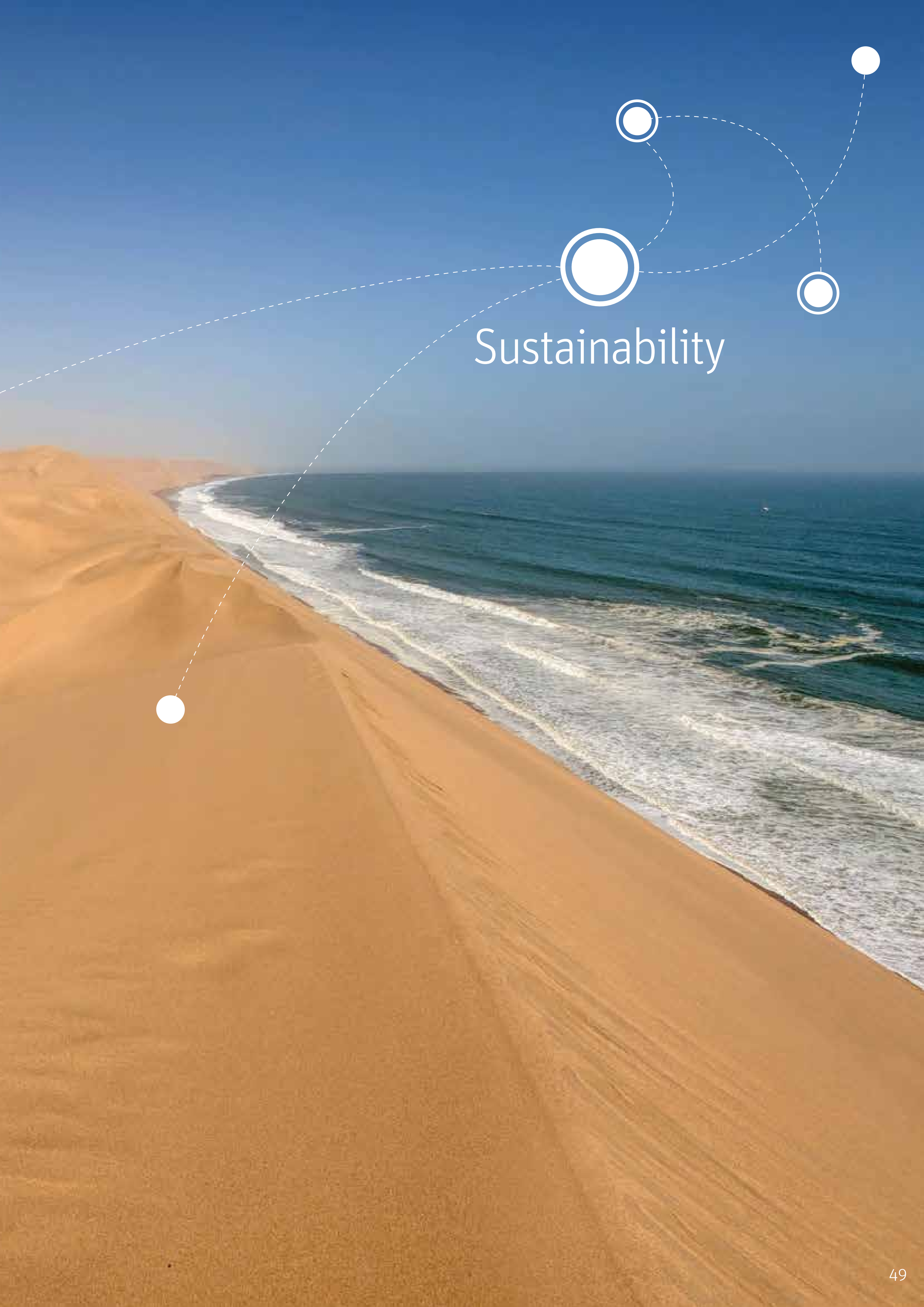
Skills Shortages

The company has done very well in recruiting skilled employees from previously disadvantaged communities. The training, employment and retention of skilled staff, with particular reference to pilots, remains a major challenge, particularly pilots from previously disadvantaged communities. The Company has attempted to address this challenge through its cadet pilot training programme and through its policy of having its pilots sign training bonds in an attempt to ensure that they remain in the employ of the Company for a certain period of time to cover the cost of their training.

Environmental Impacts, Industry Emissions and Waste Management

The aviation industry is extremely vulnerable to climate change response policies, especially where these involve the pricing of carbon emissions. The progress made at the International Civil Aviation Organisation ("ICAO") General Assembly in October 2010, where 190 member states agreed to the aspirations of achieving carbon neutral growth from 2020, together with the global airline industry vision for a sector-wide approach of enabling carbon neutral growth by 2020 and a huge reduction in emissions by 2050 places enormous pressure on the Company to abide by and be an industry leader in this area.

The Company supports these aspirations, as well as the implementation of a framework for reducing aviation emissions based on carbon trading that is applied equally to all airlines and all industries as a whole. In response to these pressures the Company has embarked on a number of initiatives to reduce its environmental impact, including the introduction of more fuel-efficient and quieter aircraft, as well as continuously measuring and monitoring its emissions and waste management.



Sustainability

Sustainability Report 2013/14

Sustainability Performance

The Sustainability report illustrates 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	
	2013/14	2012/13
Financial and Economic Performance		
Revenue (Rands)	2,569b	2,296b
Operating Profit Margin	6.8%	1.1%
Year-end net cash (Rands)	(96,9m)	(68,9m)
Value added to employees (Rands)	550,4m	528,3m
Value added to providers of finance (Rands)	38,8m	24,7m
Value added to Government (Rands)	(Nil)	(Nil)
Cargo as a % of Turnover	0.50%	0.79%
Aircraft utilisation (Average hours per day)	7.59	7.79
OTP 15 min rule (%)	88%	88%
Passengers transported	1,547,617	1,618,758
Passenger Revenue (Rands)	2,439,854,058	1,939,160,365
Average Revenue per Passenger (Rands)	1200	966.00
Passenger load factor	64%	65%
Social Safety		
Fatalities	0	0
Number of serious incidents/accidents	16	13
Health		
Employees medically surveyed	463	401
Noise-induced hearing loss	0	0
Employees		
Total Employees	1188	1136
Expenditure on employee training (Rands)	29,356,571	40,287,289
% Black employees attending leadership development programme	74%	76%
% Female employees attending leadership development programme	52%	71%
Transformation and BBBEE		
BBBEE Rating	Level 6	Level 7
% Black employees	68%	64%
% Female employees	38%	36%
% Black employees in Management	51%	69%
% Female employees in Management	25%	33%
Community		
Corporate Social Responsibility expenditure (Rands)	1.498m	3,561,830.76
Environmental		
Carbon Footprint (Scope 1 and 2) Tons CO2e	183,962	186,638
Carbon Efficiency (emissions in grams / passenger kilometre)	165.5	167.2
ISO 9001 Implementation	In progress	In progress

Key Environment Sustainability Challenges

SA Express faces the following sustainability challenges:

a) Ageing Fleet

The old CRJ200 aircraft are not as efficient per seat and therefore the SA Express carbon offsetting strategy is currently under increasing pressure due to delays in fleet renewal on the CRJ fleet. Modern generation aircraft are known to increase fuel efficiency by 20%.

b) Exchange Rate

Due to the volatility of the Rand, high fuel prices are realised and this cost is transferred to passengers. This, in turn, affects the load factors, due to low demand.

c) Route Expansion

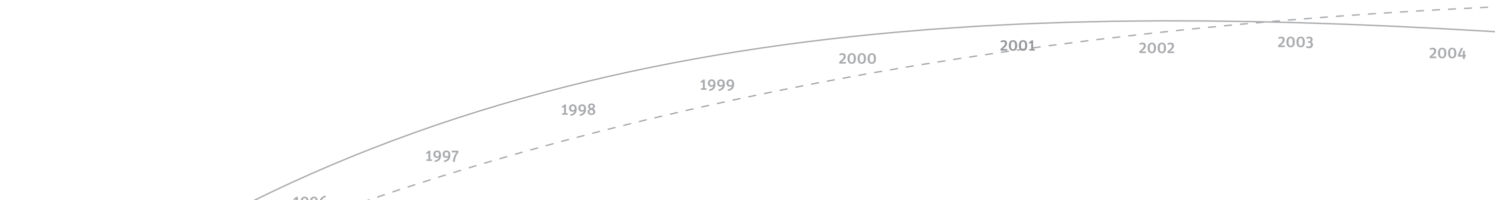
The SA Express performance target suffered due to route expansion. Traditionally, new routes are not expected to yield high load factors, hence this has adversely affected revenue per passenger kilometre as more distance was travelled with a less than expected number of passengers.

d) Climate Change

Africa's weather is considered to be high affecting fuel consumption that increases carbon emissions.

e) Carbon Tax

Although the Carbon Tax that was originally planned to be implemented by the year 2015 has now been postponed to the year 2016, this is still a challenge to SA Express as there are serious financial implications associated with the Tax.



Key Developments in 2013/14

Climate Change Framework

The Company has submitted its climate change plan to the Department of Public Enterprise; this plan is in line with the Climate Change Framework. In the plan, SA Express has committed to a GHG emission reduction of 34% by 2020. Thus far, SA Express has managed to reduce GHG emission by 15.5%.

Fuel Reporting and Emissions Data (FRED)

IATA has implemented a compulsory Fuel Reporting and Emissions Database, which will assist SA Express.
Firstly, the Emissions reporting framework will be in accordance with international best practices and secondly, SA Express will be able to benchmark itself against all other IATA members in terms of fuel usage and management.

Single Engine Taxiing

SA Express fuel saving initiatives include single engine taxiing on some of the aircraft at certain airports. The average fuel consumption for taxiing is 100kg of fuel; with single engine taxiing, a significant decrease in taxi fuel is realised and this has and continues to significantly reduce emissions from fuel consumption.

Environment

SA Express is committed to minimising 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 programmes through reducing, reusing, recycling and ultimately responsible disposal, is implemented.

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 post 2020, i.e. Carbon neutral.

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

Various interventions have been put in place to mitigate the above-mentioned risks, and these include amending waste disposal contracts with service providers to include disposal of biohazard materials and responsible disposal of Oil and Fuel.

SA Express supports the COP19 resolution on climate change by supporting initiatives assigned by the SA Government to the State Owned Companies (SOC).

From a Safety and Security Oversight perspective

Safety and Security is high on the list of SA Express' agenda, and we aim to always ensure that our stakeholders, as well as their possessions entrusted to us, are safe and secure at all times. To this end, we continuously adhere to the compliance standards set by various regulatory bodies, including the South African Civil Aviation Authority (SACAA).

During the year under review, we were audited by the SACAA both from a safety and security point of view, and there were no major findings, but just a few minor improvement recommendations, which have since been implemented. This should give our customers peace of mind, knowing that SA Express is at all times safe and secure.

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Highlights from a risk perspective

The year was filled with interesting challenges. Some of the risks did materialise and our resilience as an entity was tested. It is noteworthy that we continue to operate amidst these challenges and the organisation continues to strengthen, providing evidence that set targets and mitigation actions are yielding results. SA Express is steadily ensuring that the risk exposures are minimised to an acceptable level, or eliminated where possible.

Key risks and management remedial actions

The financial-related risks remain a concern to SA Express, and this is exacerbated by the current tough economic conditions. In order to mitigate these risks, SA Express is engaging with the Shareholder for support, whilst at the same time considering other alternative ways of strengthening the company's financial position.

1994

Sustainability - Focus on Human Capital

The business continued to seek the best structural alignment in order to ensure that the best match between people, jobs and skills required exists as this is a fundamental ingredient of SA Express achieving its strategic goals. This strategy, together with a moratorium on all recruitment, ensured that while structures are aligned, talent and skills are deployed and matched to facilitate optimisation of operating structures and leverage the company's human capital, thus increasing productivity at all levels.

Joint Cadet Programme Launch - SA Express and South African Airways

South African Express has partnered with TETA to fund a cadet programme. The purpose of this Agreement is to complement each other on the provision of education and training to young people as the vehicle to facilitate participation of youth in the mainstream economy. TETA will provide support and access to TETA companies for learners on Vocational and Continuing Education programmes participating in workplace experiential training.

SA Express will provide beneficiaries eligible for workplace experiential training and project management and administration support for the project. TETA shall, together with SA Express and other partners, fund career guidance targeted for learners in grade 10-11 to ensure correct subject choices into chosen careers. On the 25th of June 2013, SA Express, in partnership with SAA, launched a Cadet programme with the event broadcast on Morning Live (SABC 2). The aim of the Cadet programme is to give opportunities to Previously Disadvantaged Individuals (PDI) to be able to enter into the Aviation industry. Thirteeen Cadets were appointed and nine Cadets received their licence to fly solo at the time of the launch.

Some of the Cadets being interviewed by Leanne Manas, of SABC, Morning Live

International Leadership Development Programme (ILDP)

SA Express has been given an opportunity by TETA (Transport Education Training Authority) the SETA (Sector Education and Training Authority) in the Transport sector to identify candidates from the middle management echelon. The selected candidates will be put forward for selection purposes into the prestigious International Leadership Development Programme (ILDP). At culmination of the selection process, a total of 30 Previously Disadvantaged Individuals (PDIs), from employers in the Aerospace industry, will form part of the group that will participate in the ILDP.

Growing the 'Best Company to work for' brand

SA Express continues to invest in initiatives that contribute towards ensuring that we remain on the path to be labelled The Best Company to Work For.

Development of competent transformational leaders to lead and manage change

In the financial year 2013/14 a company-wide skills audit was conducted, the purpose of which was to ensure that all training and development programmes taking place are aligned to the company's strategy.

The Company continued to focus on increasing the leadership bench strength with a continuation of leadership pipeline programme/s. Managers from across the business attended various developmental courses during the Financial year. These included: the Back to Basics; Finance for Non-Finance Managers; and Performance Management Masterclass.

Supervisory Skills Programme (SSP) continues to be instrumental in providing a critical pipeline of talent for the management echelon. 58 employees attended the SSP. This continuous development programme will ensure a competent supply of managers for the organisation, while transforming this critical occupational level.

A suitable service provider to roll out the Mentorship programme; IFAWU, a Black Woman-owned service provider was awarded the service. The aim of the Mentorship programme is to ensure that all employees in the Succession Plan and those holding positions deemed to be from the critical and scarce skills pool and learners in our strategic flagship projects (Cadets, Apprentices), are supported. Mentees and Mentors will continue to be trained through this programme.

Focus on growing Talent

The importance of aligning the Human Capital Strategy to the developmental objectives of the Reconstruction and Development Programme was realised. We continue to seek consistency with the imperatives of the New Growth Path and the National Development Plan.

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004

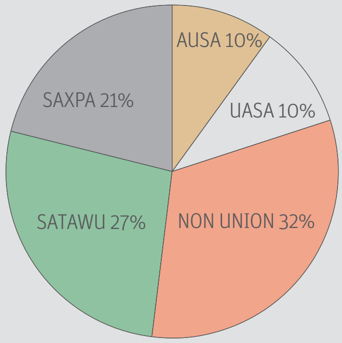
Bargaining Unit Statistics

All bargaining units

The graph and table below depict the union membership in the company as a whole. The pie charts below illustrate that SA Express does not have a union that is the majority in terms of the 50% + 1 as indicated by the Labour Relations Act. This is all in terms of the percentage split that 32% of the employees are still not union members, but it is to be noted that these include management.

UNION MEMBERSHIP NUMBERS COMPANY-WIDE

UASA - not recognised	114
NON-UNIONISED	375
SATAWU	322
SAXPA	246
AUSA	122
GRAND TOTAL	1179



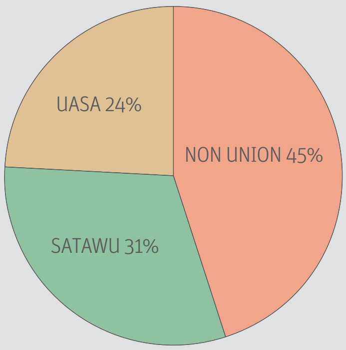
Labour Environment

Ground Bargaining Unit

The graph below depicts that 45% of the employees in this Bargaining unit are not union members. None of the unions currently hold a recognition agreement for this bargaining unit.

UNION MEMBERSHIP NUMBERS GROUND BARGAINING UNIT

NON-UNION	82
SATAWU	56
UASA	45
GRAND TOTAL	183

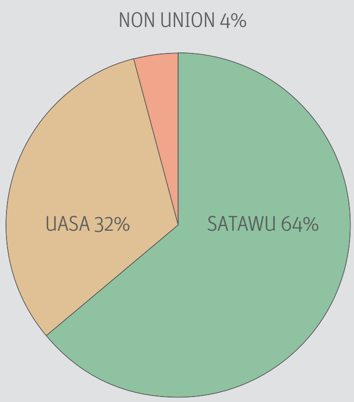


Cabin Services Bargaining Unit

The graph below depicts that SATAWU is the majority union in Cabin Services. The Company has recently concluded a recognition agreement with SATAWU for this bargaining unit.

UNION MEMBERSHIP NUMBERS CABIN SERVICES BARGAINING UNIT

NON-UNION	8
SATAWU	116
UASA	59
GRAND TOTAL	183

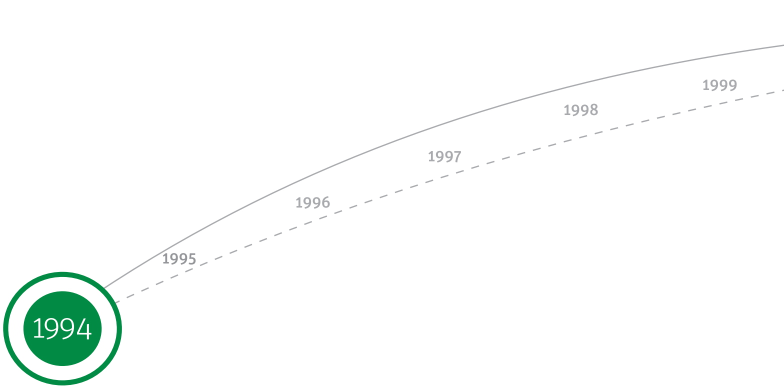


Employee Well-being

Aspiring to become the best company to work for also entails promoting the well-being 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. During the financial year 2013/14, a total of seven (7) wellness days took place in all the stations. Employees also volunteered to participate in Voluntary Counselling and Testing.

The Voluntary Testing and Counselling campaign that was conducted as part of the commemorations of the World Aids Day attracted a total of 218 employees and 344 employees participated in wellness days.

Staff also participated in initiatives aimed at raising funds for charity which are geared to improving the lives of people less privileged in our communities. To this end, staff participated in the National Bandana day, geared towards recruitment and education of young donors for bone marrow and stem cells for leukaemia patients. A total of R5,866 was raised by staff through their participation in the national Shavathon initiative in support of cancer patients, while a total of R1,580 was raised when staff participated in the Mad Hatters day in support of the Organ Donor Foundation.

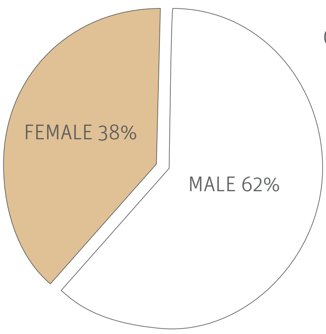


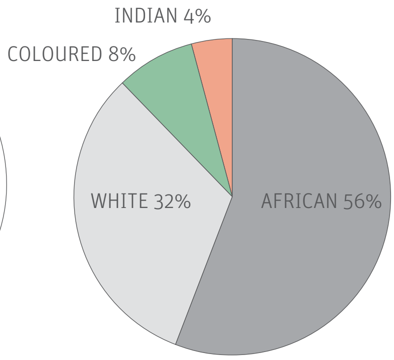
Employment Profile

The SA Express head count was 1,188 staff members as at 31 March 2014. The overall employment profile reflects very positively compared with the national and industry benchmarks. The demographic comparison of 32% white and 68% black employees, with a gender profile of 38% female and 62% male is indicative of good Employment Equity and Affirmative Action practices. Gender Equity will, however, require attention over the next year to achieve the company's EE targets.

The pie charts below show the current SA Express employee profile.

GROUP	FEMALE				FEMALE Total	MALE				MALE Total
	AFRICAN	COLOURED	INDIAN	WHITE		AFRICAN	COLOURED	INDIAN	WHITE	
Top Mngt	2				2	4	1		1	6
Snr Mngt	19	1			20	9			2	11
Middle mngt	10			6	16	24	6	2	15	47
Pilots	3	1		20	24	8	2	4	181	195
Cabin Crew	101	29	8	22	160	12	5		6	23
Technical	11		2	5	18	100	13	5	77	195
Staff	110	15	9	17	151	140	20	4	24	188
Apprentice	20		1		21	30	5	3		38
Cadet Mach 1	4	1	1		6	10		1		11
Cadet Mach 2	8		1	1	10	13	1	2	1	17
Graduates	8				8	2				2
Learner	12				12	7				7
Grand Total	**309**	**47**	**22**	**71**	**448**	**359**	**53**	**21**	**307**	**740**





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

We have a total of 14 (fourteen) people with disabilities in our employ. Industry target is 2% and we are at 1.3%.

Broad-Based Black Economic Empowerment

Previously scored as Level 8 in 2010, progress has been apparent with a Level 7 in the following year and currently Level 6 per recent verification. Continuous improvement for sustainable transformation is envisaged through a comprehensive strategy stemming from SAX 20:20 Vision, a long-term strategy with a dedicated pillar – 'Leading Transformation in Aviation'.

Though a Level 6 has been achieved as per target set in the Corporate Plan 2014-2017, SA Express would have achieved a better Level if it had focussed on aviation-specific interventions on Enterprise Development. The Company continues to make significant progress on the sustainable transformation agenda and the airline is also refining processes to ensure that B-BBEE verification evidence requirements are met.

The following diagnostic exists per pillar:

Management Control

Significant advancement in Board rotation resulted in 100% Black Board members with a 50% split between Black Women and Black Male representation.

Though the Management Control pillar has been managed satisfactorily in the past two financial years, with 90% previously achieved, the 2013/2014 FY realised 75% due to the absence of Black Women at Board Executive Directorship, a change in Executive Directorship and other Top Management levels, as well as representation of People Living with Disabilities.

Employment Equity

Challenges are faced due to the realities of the Pilot pool's demographics and certain scarce and hard to recruit positions currently occupied by white males in the Middle Management and Junior Management Category. Moreover, declaration from those living with disabilities has been snail-paced, as well as Categorisation of Management Levels and Supporting evidence for claims.

Skills Development

In this pillar, challenges are the alignment of training to B-BBEE training/development categories (an administrative challenge which is being addressed), Budget, with the race and gender transformation noted as part of Employment Equity challenges in Middle and Junior Management affecting the training candidates.

Preferential Procurement

In order for SA Express to achieve its developmental objectives through transformational procurement; it has identified the following solutions:

- Actively promote the increase in procurement from the B-BBEE enterprises and SMMEs.
- Increase spend on Black-Owned, Black Women-Owned and Qualifying Small Enterprise or Exempted Micro-Enterprises based on applicable B-BBEE Procurement Recognition levels lacks.
- Setting of minimum weightings for B-BBEE enterprises which will be updated regularly.
- Developing a database for B-BBEE enterprises which will be updated regularly.
- Demanding B-BBEE accreditation of suppliers.
- Setting of B-BBEE development plans with suppliers where appropriate.

Enterprise Development

Though the organisation has been active in ensuring non-monetary support is extended to qualifying entities, alignment to the Aviation Sub-Sector codes, which encourages sector-specific support, had been overlooked. A future Enterprise Development road map will be established in order to address this shortcoming; a budget is set aside for projects aligned to the Aviation Sector.

The following is primary to the ED strategy initiatives:

- Impact on Transformation
- Impact on Economic Growth
- Impact on Skills Transfer

Socio-Economic Development

As a corporate citizen and through the B-BBEE Pillars, SA Express aims to:

- Contribute towards social upliftment in South Africa;
- Endorse the process of democratisation and strive to support this process through business practices that are in line with political and economic empowerment;
- Enhance progress to comply with enterprise development requirements of the Codes and government's overall empowerment drive;
- Aligning B-BBEE initiatives with those of the Shareholder Compact's Social and Economic Impact targets; and
- Drive superior compliance to demonstrate SA Express's commitment to BBBEE.

Corporate Social Investment

At SA Express, our aspiration is to deepen our engagement with communities in locations where we have operations. We don't want to just have a commercial and transactional relationship – where we sell tickets to business people and tourists to fly in and out of our stations. We want to be actively involved in the lives of the people of these communities. We want to be part of their success. We want to grow with them.

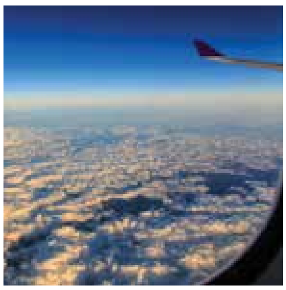
Furthermore, our role is to raise the awareness of civil and commercial aviation as a career option and prospect among young people. Our partnership with schools and communities signals our strong intent as an African regional feeder airline to create awareness of the industry among communities we operate in. Our aim is to create a deeper understanding of the numerous career opportunities in the aviation industry.

Aviation Career Days

SA Express helps connect small and bigger cities and through identifying more pilots, it can better service these areas. Through these aviation career days, we hope that we will be able to inspire, identify and support future pilots who will shore up our strong credentials as by far the most transformed airline in South Africa. Fumana High School in Katlehong and Ponelepele Oracle High School in Ivory Park were recipients of scientific calculators to promote Maths and Science teaching and learning.

Socio-Economic Development

SA Express donated sixteen wheelchairs to children living with disabilities in Richards Bay and the greater part of Zululand. The donation was made to Inkosi Community Project, a non-governmental community development initiative operating in the Mhlathuze local municipality; the handover was at a function held at the local stadium and attended by local community leaders and SA Express executives.

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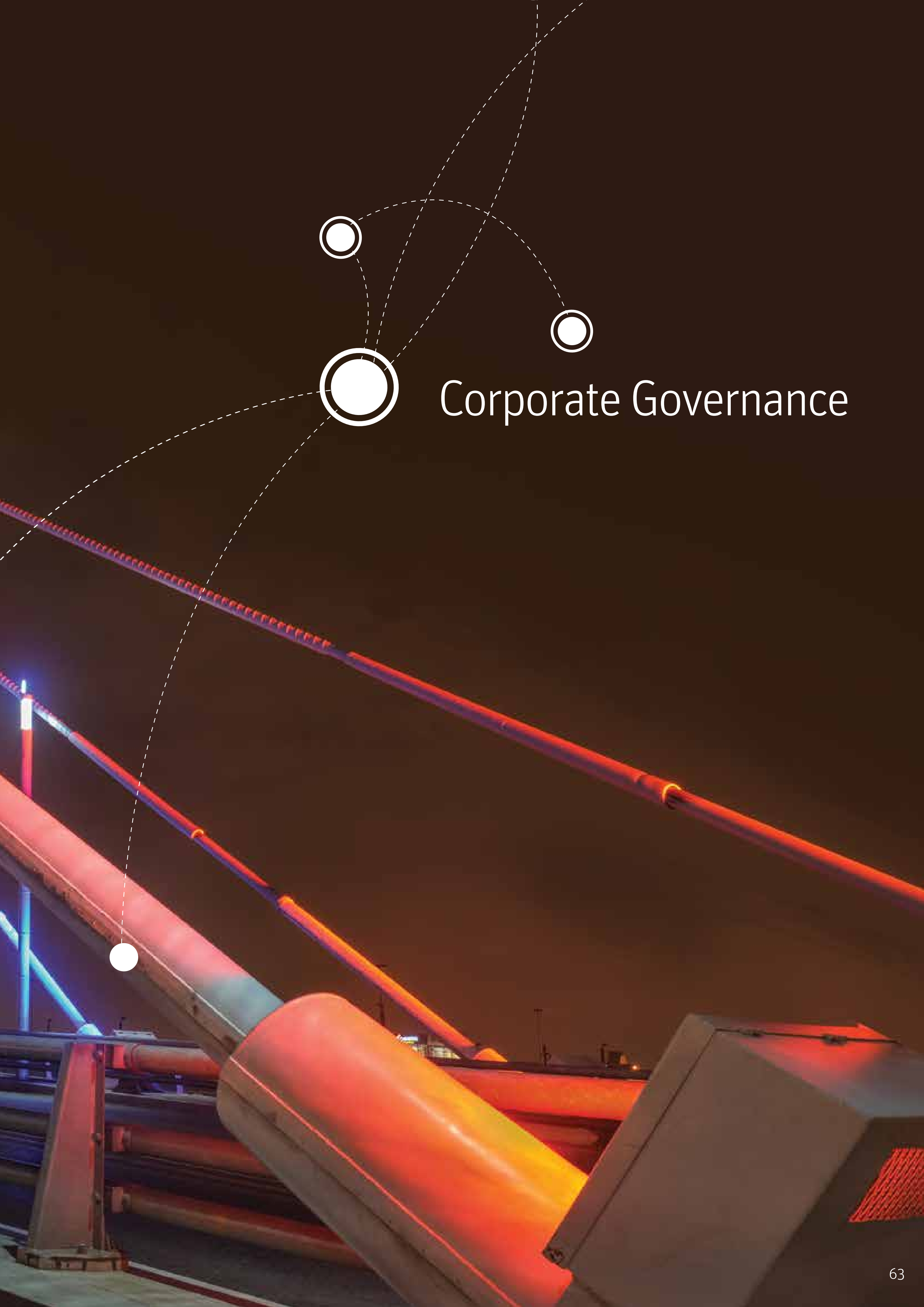
Corporate Governance



Corporate Governance Report

Introduction

SA Express Airways Soc Limited (SA Express) was established in terms of the South African Express Act 34 of 2007 (the Founding Legislation) and incorporated as a State Owned Company in terms of the Companies Act 71 of 2008 as amended (the Companies Act).

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

Interaction between the Board and the Shareholder

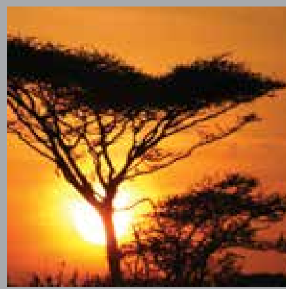
In terms of its founding legislation, the Minister of Public Enterprises assumes and exercises all rights attaching to SA Express shares and interests; including the rights as Shareholder Representative on behalf of the Government of South Africa. The Board regularly interacts with the Shareholder through the Chairperson of the Board. The Chairperson is the point of contact regarding interaction with both the Shareholder and Parliament. The Chairperson, together with the CEO attends parliamentary sessions to update the Portfolio Committee on Public Enterprises on a number of strategic issues involving the company and the Audited Annual Financial Statements. In addition to regular interaction between the Chairperson and the Minister of Public Enterprises, the Board also reports to the Shareholder at the Annual General Meeting. The SA Express Annual General Meeting took place on 25 September 2013.

The Board of Directors

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

Composition

The current Board, appointed on 13 August 2012 at the Annual General Meeting, comprises a majority of Non Executive Directors. Two Directors were Executives. The Chairperson of the Board is a Non Executive Director. The role of the Chairperson is separate from that of the Chief Executive Officer as the Board believes that separation of powers and responsibilities ensures appropriate balance of authority between the Board and management.



Mr. A Mabizela	Non Executive Director	
Ms. B Dibate	Non Executive Director	
Ms. N Gxumisa	Non Executive Director	
Mr. E Mabyana	Non Executive Director	
Ms. N Moshimane	Non Executive Director	
Mr. G Mothema	Non Executive Director	
Ms. K Nondumo	Non Executive Director	
Dr. B Ssamula	Non Executive Director	
Mr. I Ntshanga	Executive Director	
Mr. Z Ngwenya	Executive Director	Appointed 1 December 2012 Resigned 31 March 2014
Mr. M Ngcai	Non Executive Director	Appointed 7 November 2012 Resigned 9 April 2013

Role and Function of the Board

The Board is accountable to the Shareholder for determining strategy and the overall business of the company. A formal Shareholder Compact determining strategic objectives of the company was concluded between the Board and the Shareholder for the year under review. The Board has 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 Corporate 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 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, amongst others:

- setting the strategic direction of the Company;
- reviewing and monitoring the management and performance of the business by management;
- recommending the appointment of the External Auditors to the shareholder;
- determining broad strategic policy decisions;
- ensuring that the necessary financial and human resources are in place to enable the company to meet its strategic objectives;
- ensuring sustainability of the organization to ensure that it is capable of fulfilling its commercial objectives and statutory obligations;
- fulfillment of its fiduciary duty in accordance with the principles of good governance;
- effective reporting and accountability to the shareholder and other regulatory bodies;
- exercising of due care, skill and good faith in the execution of its duties;
- ensuring that effective audit, risk management and compliance systems are in place to protect the company's assets;
- delegating certain responsibilities to the Chief Executive Officer;
- reviewing and monitoring the performance of the Chief Executive Officer and Chief Financial Officer;
- approval of the annual budget and business plan for the company;
- approval, subject to shareholder's consent, of all major transactions within the ambit of Section 54 of the Public Finance Management Act and the Significant and Materiality Framework;
- 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 annual calendar which sets out matters for discussion at each meeting. The Board meetings focus on strategic issues and the overall performance of the company. Directors are entitled to propose additional matters for discussion by the Board. Resolutions of the Board were taken by way of Directors' written resolutions in terms of the provisions of the Articles of Association, where necessary. Some of these were distributed through Round Robins, as provided for in the Articles of Association. Such matters were deliberated by the Board prior to circulation of the respective Round Robins including arranging management interviews. Resolutions were supported by a full business case and/or motivation. During the said process, the Directors were afforded time to apply their minds to the matter at hand, prior to approval of the circulated Resolution. Management ensured that the Board is provided with all relevant information and facts to enable them to make appropriate and informed decisions.

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

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

BOARD	12/04/13	20/06/13	20/7/13	18/07/13 Special	31/08/13 Special	18/09/13	20/11/13	02/12/13	31/1/14	26/2/14	09/03/14 Special	20/03/14
A. Mabizela	√	√	√	√	√	√	√	√	√	√	√	√
B. Dibate	√	X	√	X	X	√	√	√	√	√	X	√
N. Gxumisa	X	√	X	√	X	X	√	X	√	√	√	√
E. Mabyana	√	√	√	X	√	X	√		X	√	X	√
N. Moshimane	√	X	X	√	√	√	√	X	√	√	√ Via Teleconference	√
G. Mothema	√	√	X	X	√	√	X	√	√	√	X	√
Z. Ngwenya CFO	√	√	X	√	√	√	√	√	√	√	√	√
K. Nondumo	√	√	√	√	√	√	√	X	X	√	√	√
I. Ntshanga CEO	√	√	√	√	X	√	√	√	√	√	√	√
B. Ssamula	X	√	√	√	√	√	√	√	√	√	√	√

Interaction between the Board and Management

Executive management was given access to interact with the Board via various presentations at Board meetings. Non-Executive Directors have access to Executive Management and may meet with Executive Management in the absence of Executive Directors present. Such meetings are facilitated through the office of the Company Secretary upon request.

Disclosure of Interest

All Directors disclose their interest in other companies either in the form of shares held, Directorship or business dealings. There were no declaration of interests registered in contracts held directly or indirectly with SA Express 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 PFMA submission made in the year under review was a Pre-notification for replacement of aircraft.

Board Committees

In line with the requirements of the King Code III and the Protocol on Corporate Governance in the Public Sector, the following Committees duly assisted the Board in discharging its duties and responsibilities. The various Committees continued throughout the year to act and perform functions delegated to them in accordance with clear terms of reference. 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. K. Nondumo	Chairperson
Ms. N. Moshimane	Non-Executive Director
Dr. B. Ssamula	Non-Executive Director

Register of Meetings and Attendance

AUDIT AND RISK	30/05/2013	05/08/2013	29/08/2013 Special	12/09/2013	13/11/2013	13/02/2014
K. Nondumo	√	√	√	√	√	√
N. Moshimane	√	X	√	X	√	√
B. Ssamula	X	√	√	√	X	√
	√ B Dibate Invitee			√ A Mabizela Invitee		

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

S. Struwig	Auditor General of South African (External Audit Service)
Mr. I. Ntshanga	Chief Executive Officer
Mr. Z. Ngwena	Chief Financial Officer
Ms. M. (Chueu) Mochoele	GM: Legal, Risk and Compliance
Ms. K. Hlalele	Internal Audit

Human Resources and Remuneration Committee:

Comprising:

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

Register of Meetings and Attendance

REMCO	22/05/2013	21/08/13	29/08/13 Special	03/12/2013	06/02/2014
B. Dibate	√	√	√	√	√
B. Ssamula	√	√	√	√	√
G. Mothema	X	√	√	√	√
E. Mabyana	√	√	√	√	√

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

Mr. I. Ntshanga	Chief Executive Officer
Ms. K. Nkala	GM: Human Capital

Safety, Security, Health, Environmental and Quality Committee:

Comprising:

Dr. B. Ssamula Chairperson

Ms. N. Gxumisa Non-Executive Director

Ms. B. Dibate Non-Executive Director

Register of Meetings and Attendance

SSHEQ	13/06/13	04/09/13	03/12/13	06/02/14
B. Ssamula	√	√	√	√
B. Dibate	√	√	√	√
N. Gxumisa	√	√	X	√ Via Teleconference
		√ A Mabizela Invitee		

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

Mr. I. Ntshanga Chief Executive Officer

Ms. M. (Chueu) Mochoele GM: Legal, Risk and Compliance

Mr. P. Mashaba GM: Technical

Social and Ethics Committee:

Comprising:

Ms. N. Gxumisa Chairperson

Mr. E. Mabyana Non-Executive Director

Mr. G. Mothema Non-Executive Director

Register of Meetings and Attendance

SOCIAL	13/06/13	04/03/14
N. Gxumisa	√	√
G. Mothema	√	√
E. Mabyana	√	√
		√ B Ssamula Invitee

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

Mr. I. Ntshanga Chief Executive Officer

Ms. M. (Chueu) Mochoele GM: Legal, Risk and Compliance

Ms. K. Nkala GM: Human Capital

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004

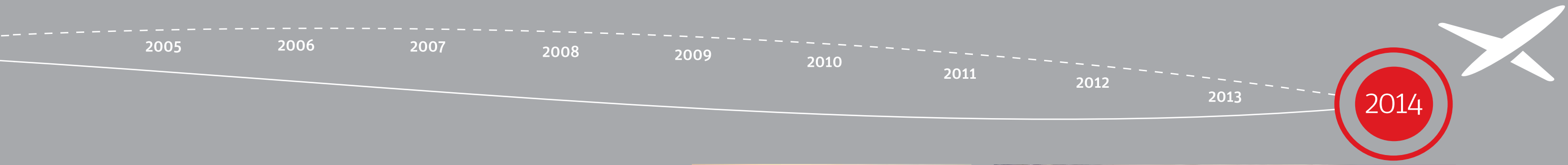
Audit & Risk Committee

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

The Committee is also pleased to highlight that KPMG, an outsourced internal audit function, reported that it had unrestricted access to relevant company activities, records, property and personnel. With effect from 1 October 2013, the Committee approved a co-source internal audit function and as a result, a Senior Internal Auditor (SIA) was appointed. Further, that no such restriction was imposed by any employee or management of SA Express. The Committee also reviewed at each and every meeting the top strategic risk issues facing the company including amongst others, the impact of the global recession on the company, demand constraints, foreign currency volatility and unstable crude oil prices, cross border risk and cost increments by major suppliers.

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

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

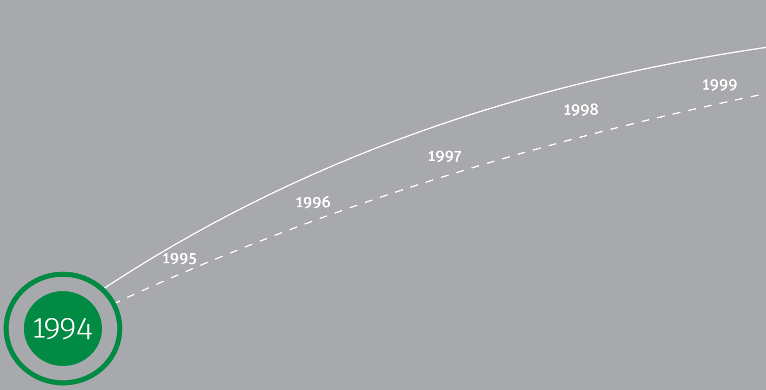


In execution of its duties, the committee has:

- Quarterly reviewed business and other risk and the impact of such on the company;
- Received reports from management on prevention of fraud and unethical conduct.
- Reviewed reports from both the Internal Auditors and External Auditors regarding the efficacy of the company's internal control systems;
- Approved the yearly internal audit plan for the year under review;
- Reviewed and approved the External Auditors Planning Memorandum.
- Considered and reviewed quarterly management accounts;
- Reviewed the annual report and financial statements for the year under review to ensure that they present a balanced understandable assessment of the position, performance and prospects of the company;
- Reviewed the adequacy, reliability and accuracy of the financial information provided by management;
- Reviewed and recommended to the Board for approval the company's budget for the Financial Year ending 2014/15.

Further, the Committee is pleased to report that where previous weaknesses were identified by the internal and external auditors in respect of internal controls, management has continued to enforce corrective measures to reduce or eliminate the risk. The Committee is therefore of the opinion, based on the information from Management, Internal Auditors and External Auditors, that the internal controls of the company need improvement and have not operated efficiently and effectively throughout the period.

K. Nondumo
Chairperson Audit and Risk Committee



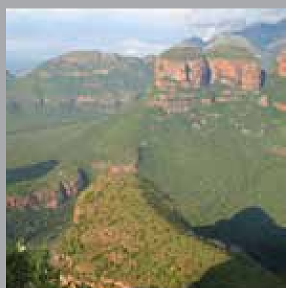
Human Resources and Remuneration Committee

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

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

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

Non-Executive Director's remuneration was approved by the Shareholder at the Annual General Meeting on 25 September 2013. The SOE Remuneration Guidelines were still under review by the Minister.



Remuneration of Non-Executive Directors

The remuneration of the Non Executive Directors consists of an annual fee paid quarterly in arrears

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 review is based on the performance of the company in terms of the Shareholders Compact. The full details are provided in a table below in this report.

Name	June 13	Sept 13	Dec 13	March 14	Total
B. Ssamula	82,765.47	91,042.03	86,903.75	86,903.75	347,615.00
A. Mabizela	167,360.11	184,096.13	175,728.12	175,728.12	702,912.48
K.T. Nondumo	62,455.29	68,700.81	65,578.06	65,578.06	262,312.22
G.N. Mothema	59,543.86	65,498.26	62,521.06	62,521.06	250,084.24
B.P.B. Dibate	65,854.67	72,440.13	69,147.41	69,147.41	276,589.62
N.M. Moshimane	52,666.30	57,932.94	55,299.62	55,299.62	221,198.48
N.B. Gxumisa	65,854.67	72,440.13	69,147.41	69,147.41	276,589.62
P.E. Mabyana	59,543.86	65,498.26	62,521.06	62,521.06	250,084.24
	616,044.23	677,648.69	646,846.49	646,846.49	2,587,385.90

Remuneration of Executive Directors and Management

Name	Salary	Post Retirement Benefit Fund Contributions	Other	Total 2014 FY	Notes
I. Ntshanga - CEO	2 297 683	219 617	104 065	2 621 365	
Z. Ngwenza - CFO	1 656 032	78 069	82 628	1 818 730	
D.B. Alanby	1 651 173	200 062	95 170	1 946 4056	
W.P. Hermanus	1 403 014	137 082	92 749	1 632 845	
K.M. Nkala	1 130 201	52 343	26 595	1 209 139	
M.M. Morchoele	198 450	21 635	16 765	236 850	Started 20/01/2014
P.B. Mashaba	1 553 267	112 592	71 403	1 737 262	
B.T. Van Wyk	1 291 989	61 321	65 957	1 419 267	
H.C. Welman	978 345	74 862	622 928	1 676 135	Term 31/10/2013

Breakdown of other

Name	Medical Aid	Group Life	Funeral Cover	Settlement	Total Other
I. Ntshanga - CEO	48 507	55 343	215		104 065
Z. Ngwenza - CFO	45 067	39 347	215		84 628
D.B. Alanby	54 623	40 332	215		95 170
W.P. Hermanus	57 990	34 544	215		92 749
K.M. Nkala	0	26 381	215		26 595
M.M. Morchoele	9 442	7 269	54		16 765
P.B. Mashaba	33 357	37 831	215		71 403
B.T. Van Wyk	34 836	30 906	215		65 957
H.C. Welman	0	18 865	125	603 938	622 928

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004

Safety, Security, Health, Environment and Quality Committee

The Committee was comprised of two Non-Executive Directors on the previous Board and by three on the current Board. The Executive Manager responsible for Safety, Security, Health and Environment attended all the meetings of the Committee. The Committee operated within its delegated terms of reference and reported all activities to the Board at every meeting.

The overall key responsibilities of the Committee are to:

- Ensure that issues pertaining to safety, health and environment are aligned to the overall business strategy of the company and are geared towards compliance with international norms and practices;
- Consider and approve the corporate safety, health and environmental strategy and policies;
- Monitor compliance with such strategy and policies;
- Consider and approve major safety, health and environmental projects;
- Ensure that its members are informed about the significant impact on the company in the safety, health and environmental field and how these are managed (process and activities);
- Review the structure, adequacy and effectiveness of the safety, health and environment committee within the Company including review of any terms of reference for the same;
- Review the scope of and results of any safety, health and environment audit and the effectiveness of the company's safety, health and environment policies and procedures and such audit's cost effectiveness and the independence and objectivity of the audit body;
- Consider the major findings of internal and external investigations and management's response thereto and, where necessary make recommendations to the Board in respect of the same;
- Deal with any other matters formally delegated by the Board to the committee from time to time, including but not limited to matters relating to security and quality assurance.

The focus of this year's committee meetings was to better plan for maintenance activities with the fleet in our possession, improve business processes in the technical department, clean up asset registers and prepare for the ISO 9001 audit. Furthermore, the company has developed a carbon mitigation strategy that will enable the airline to proactively contribute to South Africa's commitment to the carbon reduction program. The Committee continues to uphold safety as a priority in assisting SA Express in the next 20 years of its existence.

B Ssamula
Chairperson Safety, Security, Health, Environment and Quality Committee

Social and Ethics Committee

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

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

SA Express supports the 10 principles of the United Nations Global Compact and is committed to the New Growth Path. The company has communicated to the United Nations Secretary General, H.E. Ban Ki-moon, of its intent to advance the 10 principles within the company's sphere of influence as well as to make them part of the organisation's strategy, culture and day-to-day operations. We are also committed to engaging in collaborative projects that advance the broader development goals of the United Nations, in particular the Millennium Development Goals. The organisation has committed to supporting public accountability and transparency as well as submitting an annual Communication on Progress (COP) to the United Nations, describing the company's efforts to implement the ten principles.

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

During the year under review, the Committee underwent training on the responsibilities of the Social and Ethics Committee and the reporting framework. In developing the framework, the Committee was cognisant of the overlap with the functions of the other committees of the Board. The Committee has monitored SA Express' activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to social and economic development such as, but not limited to, Human Rights, Labour, the Environment and anti Corruption.

N Gxumisa
Chairperson Social and Ethics Committee

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 2013 and that to the best of my knowledge and belief, all such returns are true, correct and up to date.

B Mathebula
Company Secretary

Statement of Predetermined Objectives

Compact performance is reported as part of the Management Accounts, which are submitted to the shareholder on a monthly basis and discussed at the scheduled monthly meetings with National Treasury and the Department of Public Enterprises.

Additional performance measures tracked in the year under review were contained within Annexure A – Strategic Deliverables of the Shareholder Compact 2013/14, which included the following:

SAX Shareholder's Compact - March 2014

Annexure A: Strategic Deliverables

Key Performance Area	Description of deliverables	Delivery timetables	Progress Tracker
SA Express Sustainability Framework	Economic dividends	28-Feb-14	Achieved
	Social dividends	28-Feb-14	Achieved
	Environmental dividends	28-Feb-14	Achieved
Cost Containment	Review of current cost containment initiatives for the airline	31-Oct-13	Achieved
	Provide an approved comprehensive plan for cost containment for the 2014/15 financial year	28-Feb-14	Achieved
SAX 20/20 Vision	Provide a comprehensive implementation plan for the SAX 20/20 vision (in consideration with the LTTS)	30 Nov 13	Achieved
Africa Regional Expansion	Develop a short, medium to long-term strategy to improve intra-Africa connectivity and expansion	30 Nov 13	Achieved
	Provide positioning strategy for SAX technical in partnership with SAA technical to become the preferred Maintenance Repairs and Overhaul (MRO) in Africa	28-Feb-14	Achieved
Policy and regulation	Ongoing compliance with competition policy and Act and Air Transport regulations	Ongoing	Ongoing
	Full co-operation with the Department to finalise joint position on whole of state policy	Ongoing	Ongoing
Research and Development Excellence	Provide a plan to improve market share	31-Dec-13	Achieved
	Provide a plan on how technology has been leveraged by the organisation to improve productivity in all spheres of the business	28-Feb-14	Achieved
Internal Controls	Submit a plan to improve the Internal Controls of the airline	30-Nov-13	Achieved
Contract management	· service level agreements of suppliers to ensure service integrity and cost competitiveness · airline's existing commercial agreements	28-Feb-14	Achieved

Annexure B: Operational Performance

Key Performance Area	Key Performance Indicator	Unit of measure	2013/14 Target	YTD Mar'14 Actual	Progress Tracker
Achieve a sustainable, profitable operation in all market segments namely: domestic and regional markets. Achieve recurring sustainable earnings as follows					
Sustainable Cash Position	RASK (Total Income)	cents	142	144	Achieved
	CASK (Total Operating expenses + Leases + Depreciation)	cents	112	112	Achieved
	CASK (Excluding Fuel Costs)	cents	0.78	0.73	Achieved
	Net (Profit)/Loss after tax	Rm	3.6m	-138	Not Achieved
	Net Cash Position	Rm	Neutral	-6	Not Achieved
	EBITDA	Percentage	4%	-2%	Not Achieved
	Debt/Equity Ratio	Ratio	4:38:1	3.193:1	Achieved
	Cargo 1% of total revenue	Percentage	1%	1%	Achieved
Improve Operational Efficiencies	Passenger Load factor	Percentage	70%	64%	Not Achieved
	Revenue Per Employee	Rm	2	2.2	Achieved
	Daily block Hours per Aircraft (weekdays)	Hours	8	8	Achieved
Customer Centricity	On-time performance (within 15 min of scheduled departure time)	Percentage	90%	88%	Not Achieved
	Bags mishandled per 10000 pax	Number	4	1	Achieved

Annexure C: Social Impact

Key Performance Area	Key Performance Indicator	Unit of measure	2013/14 Target	YTD Mar'14 Actual	Progress Tracker
Improve Human Capital transformation on the following programmes and ensure skills development objectives are met as follows					
Developmental Objectives	Artisan trainees	Number	26	28	Achieved
	Cadet Pilot Trainees	Number	20	20	Achieved
	Semi-Skilled and Skilled Workers Learnerships	Number	10	29	Achieved
	Experiential Learners/Graduate Trainees	Number	21	27	Achieved
	Training spend as a % of leviable amount	Percentage	5%	5%	Achieved
	Jobs Created	Number	20	102	Achieved
	Jobs Created	Number	50	50	Achieved
Corporate Social Investment	CSI Budget	Percentage	2% of NPAT	See notes below	Achieved

Annexure D: Economic Impact

Key Performance Area	Key Performance Indicator	Unit of measure	2013/14 Target	YTD Mar'14 Actual	Progress Tracker
Transformation Procurement	Total Local Spend	Percentage	58%	53%	Not Achieved
	% Total BBBEE Spend				
	% Black Owned	Percentage	36%	4%	Not Achieved
	QSE/EME	Percentage	37%	7%	Not Achieved

Annexure E: Energy Efficiency

Key Performance Area	Key Performance Indicator	Unit of measure	2013/14 Target	YTD Mar'14 Actual	Progress Tracker
	Reduction and offsetting of emissions 5% year on year – 2018	Grams, Tonnes and CO2	160	165.5	Not Achieved
	Reduction of energy utilisation in corporate building	To be determined	To be reviewed		

Shareholder Compact agreed with the Shareholder constituted of 39 indicators. The focus of the Shareholder due to the precarious financial position of the airline was on Financial Value Creation. It is important to note that SA Express managed to achieved only 63% of the sustainable cash position targets. Failure to achieve the majority of the financial targets was mainly due to the hostile market and market dynamics. The airline managed to achieve 28 of the 39 indicators

Furthermore, the SA Express Developmental objectives indicators were all achieved while corporate social investment, Economic impact and Energy efficiency indicators were not achieved. In addition, as referred earlier, the RASK and CASK (including and excluding fuel costs), Revenue per employee, Daily block hours and the number of bags mishandled were all achieved under Sustainable cash position. SA Express had targeted a profit of R3m; due to operational and funding challenges the airline achieved a net loss of R138m. The entity has since embarked on a cost-saving and cost avoidance process to control the increasing operating costs. The airline continues to have a high cash burn rate that exceeds cash-in; this has led to a cumulative cash position of negative R6M. The entity has utilised its guarantees and borrowing and this has led to an increased year-to-year gearing ratio that exceeded the previous year. Cargo continues to have a negative growth and a focus on the Cargo Agreement with SAA will be the focus of Management in the new 2014/15 financial year.

In addition, the Net Profit after tax, Net Cash Position, EBITDA, Debt to Equity Ratio and Cargo as a percentage of Operating Income, Passenger load factor and OTP were not achieved. CSI was achieved on principle in that SAX spent R1,498m which equated to more than 2% of NPAT although NPAT was negative – the amount achieved surpassed the 2% of the forecast R3.6m NPAT. With regard to debt to equity, we are lower than target, using interest bearing debt as the actual.

SA Express achieved 71% of the targets.

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.

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

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

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

The directors have reviewed the company's cash flow forecast for the year to March 31, 2015 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 auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages xxx to xxx.

The annual financial statements set out on pages xxx to xxx, which have been prepared on the going concern basis, were approved by the board on March 31, 2013 and were signed on its behalf by:

A. Mabizela
Chairperson and Non-Executive Director

I. Ntshanga
Chief Executive Officer and Executive Director

The directors have pleasure in submitting their report on the annual financial statements of SOUTH AFRICAN EXPRESS AIRWAYS (SOC) LTD for the year ended 31 March 2014.

Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year. The company recorded a net loss after tax for the year ended 31 March 2014 of R(138 894 140).

Company revenue increased from R2 295 552 530 in the prior year to R2 555 374 377 for the year ended 31 March 2014.

Company cash flows from operating activities increased from R(97 254 770) in the prior year to R234 413 175 for the year ended 31 March 2014.

Share Capital

There have been no changes to the authorised or issued share capital during the year under review.

Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Changes
A. Mabizela	13-Aug-12	Chairperson and Non-Executive Director	
I. Ntshanga	01-Sep-10	Chief Executive Officer and Executive Director	
B. Ssamula	03-Sep-07	Non-Executive Director	
B. Dibate	13-Aug-12	Non-Executive Director	
K. Nondumo	13-Aug-12	Non-Executive Director	
N. Moshimane	13-Aug-12	Non-Executive Director	
E. Mabyana	13-Aug-12	Non-Executive Director	
N. Gxumisa	13-Aug-12	Non-Executive Director	
G. Mothema	13-Aug-12	Non-Executive Director	
Z. Ngwenya	01-Dec-12	Chief Financial Officer and Executive Director	Resigned 28 March 2014
M. Ngcai	07-Nov-12	Non-Executive Director	Resigned 7 April 2013

In terms of the company's Memorandum of Incorporation Director name, Director name and Director name retire by rotation at the AGM and are eligible for re-election.

Director name resigned as a non-executive director effective, and Director name resigned as a non-executive director effective was appointed on to succeed Director name. The Director name expressed its sincere appreciation to the outgoing director for their contributions during their respective periods of office.

Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

Auditors

Auditor-General of South Africa continued in office as auditors for the company for 2014.

At the AGM, the shareholder will be requested to reappoint Auditor-General of South Africa as the independent external auditors of the company and to confirm Partner's name as the designated lead audit partner for the 2015 financial year.

Secretary

The company secretary is Ms. B. Mathebula.
Postal address, P.O. Box 101, O.R. Tambo International Airport, 1627
Business address
4th Floor Offices, West Wing Pier Development, O.R. Tambo International Airport, 1627

DIRECTOR'S REPORT

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

1 REVIEWS OF ACTIVITIES MAIN BUSINESS AND OPERATIONS

Net profit of the company was R650,463 (2012: R365, 872,736 net loss restated); after taxation of (R158, 368,513)

2 GOING CONCERN

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

- Assets exceed liabilities;
- The company is able to settle its obligations as they become due;
- The company, as a result of the breach of the terms of its contract, 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 funders.
- No legislative, regulatory or policy changes that negatively affect and impact the company have been made;
- Impairments on assets have been as a result of the reduction in the market values of aircraft and these have been sold;
- That the company has made significant cost savings and further savings are expected to be made in the foreseeable future;
- No suppliers have withdrawn their support for the company;
- The company's budget, which has been rigorously overseen and reviewed, shows that the company will make a profit this year after consecutively making losses for the past three (3) years;
- As a result of the above, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
- Further to the above points, and the Company's going concern status is also informed by its SAX 20/20 Vision, the funding plan and the Long-term Turnaround strategy that will be implemented.
- Notwithstanding the above, the company is facing significant cash flow pressures and will require the extension of the government guarantees that expire in February 2015.
- The company is currently in negotiations with both the Department of Public Enterprises and National Treasury to obtain a recapitalisation, as well as funding for its approved refleeting programme, as approved by the shareholder. It is anticipated that this will be finalised in the coming months.

3 EVENTS AFTER THE REPORTING PERIOD

The events below were discovered post the balance sheet date:

The cash neutrality advance was reviewed in the quarter to June 2014, and a further R36.4m was received from South African Airways.

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

4 DIRECTORS' INTEREST IN CONTRACTS

5 AUTHORISED AND ISSUED SHARE CAPITAL

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

6 BORROWING LIMITATIONS

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

7 SECRETARY

The acting Company Secretary is Ms B. Mathebula

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

8 SHAREHOLDER

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

9 INTERNAL AUDITORS

KPMG was appointed as the internal auditors during 2008 for a period of 3 years. This contract was renewed in 2011 for a period of 2 years. The Internal Audit function has since been in-sourced in the fourth quarter with an Internal Auditor appointed and support staff employed reporting to the Audit and Risk Committee (ARC), supported by the Executive team.

10 EXTERNAL AUDITORS

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

11 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 expenditures in line with the provisions of section 51 (1) (b) (ii) and 55 (2)(b)(ii) of the Public Finance Management Act, 1999.

12 STATEMENT ON PREDETERMINED OBJECTIVES

The Company has performed significantly better than in the previous year, meeting 28 of its 39 contracted targets per the Shareholder compact, representing a significant improvement against the previous year in which only 41.2% of the targeted KPI's were met. The company is making every effort to ensure that going forward it achieves its financial KPI targets.

13 AIRCRAFT STRUCTURES

The impact on the financial statements was still under assessment at the time of the conclusion of this annual report. The accounting for the aircraft structures has not been factored in these financial statements but their likely impact is immaterial. There is a security deposit of R75.0 million at Standard Bank for guarantees provided which expires in December 2015, and subsequently the security deposit will be released and the funds will be available to the company.

14 AUDIT REPORT FINDING – ACTION PLAN

Action plans are being put in place to address the findings in the audit report, including those relating to inventory valuation.

15 CHANGES IN ACCOUNTING POLICY

There were no changes in accounting policies during the year under review.

16 DIVIDENDS

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

Statement of Financial Postion as at 31 March 2014

Figures in Rand	Note(s)	2014	Restated 2013	Restated 2012
ASSETS				
Non-Current Assets				
Property, plant and equipment	4	279 850 413	206 904 070	219 202 478
Intangible assets	5	397 150	1 088 659	3 200 354
Deferred tax	7	208 164 142	159 122 113	-
Other financial assets		-	73 641 660	69 081 116
Current Assets				
Inventories	9	157 883 412	85 582 349	77 862 540
Other financial assets	6	75 112 192	73 641 660	69 081 116
Current tax receivable	18	109 299 912	-	-
Trade and other receivables	10	890 150 337	810 703 549	622 851 632
Cash and cash equivalents	11	73 017	22 575 997	23 716 852
		1 232 518 870	**1 025 206 167**	**824 167 257**
Non-current assets held for sale and assets of disposal groups	12	-	-	95 479 126
Non-Current Assets		488 411 705	440 756 502	291 483 948
Current Assets		1 232 518 870	1 025 206 167	824 167 257
Non-current assets held for sale (and) (assets of disposal groups)		-	-	95 479 126
Total Assets		**1 720 930 575**	**1 465 962 669**	**1 211 130 331**
EQUITY AND LIABILITIES EQUITY				
Share capital	13	501 837 518	501 837 518	501 837 518
Shareholder's Loan		356 954 972	356 954 972	356 954 972
Accumulated loss		(734 984 319)	(596 882 985)	(595 641 910)
		123 844 171	**261 909 505**	**263 150 580**
LIABILITIES				
Non-Current Liabilities				
Other financial liabilities	15	200 000 000	200 000 000	200 000 000
Current Liabilities				
Other financial liabilities	15	100 000 000	-	-
Trade and other payables	19	775 312 750	583 923 801	345 309 543
Provisions	16	248 951 564	151 347 603	139 948 544
Neutrality advance	17	177 266 915	177 266 915	177 266 915
Bank overdraft	11	95 555 175	91 514 845	85 454 749
		1 397 086 404	**1 004 053 164**	**747 979 751**
Non-Current Liabilities		200 000 000	200 000 000	200 000 000
Current Liabilities		1 397 086 404	1 004 053 164	747 979 751
Liabilities of disposal groups		-	-	-
Total Liabilities		**1 597 086 404**	**1 204 053 164**	**947 979 751**
Equities		123 844 171	261 909 505	263 150 580
Liabilities		1 597 086 404	1 204 053 164	947 979 751
Total Equity and Liabilities		**1 720 930 575**	**1 465 962 669**	**1 211 130 331**

Statement of Comprehensive Income for the year ended 31 March 2014

Figures in Rand	Note(s)	2014	Restated 2013
Revenue	20	2 555 374 377	2 295 552 530
Cost of sales		-	-
Other income	21	30 249 579	18 230 954
Operating expenses		(2 606 372 109)	(2 327 599 664)
Operating (loss)		**(50 997 732)**	**(32 047 134)**
Investment revenue	26	8 286 366	12 976 231
Depreciation and amortisation	23	(109 891 578)	(137 110 268)
Foreign exchange differences		4 242 499	(8 254 395)
Impairment of PPE	24	(7 513)	(1 409 494)
Profit on sale of assets	25	46 053	30 188 474
Finance costs		(38 785 458)	(24 706 602)
Non-operating expense (NET)		(136 109 631)	(128 316 054)
(Loss) before taxation		**(187 107 363)**	**(160 363 188)**
Taxation		49 042 029	159 122 113
Profit (loss) for the year from continuing operations		(138 065 334)	(1 241 075)
Profit (loss) for the year from discontinued operations		-	-
Loss for the year		**(138 065 334)**	**(1 241 075)**
Other comprehensive income	30	-	-
Total comprehensive loss for the year		**(138 065 334)**	**(1 241 075)**
Attributable to:			
Owners of the parent:			
(Loss) for the year from continuing operations		(138 065 334)	(1 241 075)

Statement of Changes in Equity for the year ended 31 March 2014

Figures in Rand	Share capital	Share premium	Total Share Capital	Convertible instruments reserve	Accumulated loss	Total equity
Balance at April 01, 2012	452	501 837 066	501 837 518	356 954 972	**(595 641 910)**	**263 150 580**
Total comprehensive income for the year as previously reported	-	-	-		650 463	650 463
Prior period adustment	-	-	-		(1 891 538)	(1 891 538)
Total changes	-	-	-		**(1 241 075)**	**(1 241 075)**
Balance at April 01, 2013	452	501 837 066	501 837 518	356 954 972	**(596 882 985)**	**261 909 505**
Loss for the year		-	-	-	**(138 065 334)**	**(138 065 334)**
Other comprehensive income		-	-	-	-	-
Total comprehensive Loss for the year					**(138 065 334)**	**(138 894 140)**
Balance at March 31, 2014	**452**	**501 837 066**	**501 837 518**	**356 954 972**	**(734 948 319)**	**123 844 171**
Notes	13	13	13	14	30	

Statement of Cash Flows

Figures in Rand	Note(s)	2014	Restated 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) operations	29	154 904 754	23 107 328
Interest income		8 286 366	12 976 231
Finance costs		(38 785 458)	(24 706 602)
Net cash from operating activities		**124 405 662**	**11 376 957**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(249 456 388)	(140 916 374)
Purchase of other intangible assets	5	(68 104)	(108 591)
Net movement in financial assets	5	(1 470 532)	(4 560 544)
Proceeds On Sale Of Assets		46 053	127 007 600
Net cash from investing activities		**(250 948 971)**	**(18 577 909)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		100 000 000	-
Net cash from financing activities		**100 000 000**	**-**
Total cash movement for the year		**(26 543 309)**	**(7 200 952)**
Cash at the beginning of the year		(68 938 848)	(61 737 897)
Total cash at end of the year	11	**(95 482 157)**	**(68 938 849)**

Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act 71 of 2008. 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.

1.1 Depreciation and Impairment

Useful lives, depreciation method and residual values of property, aircraft and equipment.

The company asseses the useful lives, depreciation method and residual 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 appropriate. Residual values were revised in current year are controlled by the company.

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.

The company has control of an investee when it has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the company. All intra-company transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the company's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the company has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Accounting Policies

Maintenance reserves impairment provision
Maintenance Reserves (prepayments made to lessors during the term of the lease contract, in anticipation of maintenance events), if unutilised at the end 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 lease expiry, and uses this estimate as the basis for the valuation of the maintenance reserves impairment provision. The recognition of the maintenance reserves asset and value thereof is subject to critical judgement by management.

mulated in equity are recognised in profit or loss as a reclassification adjustment.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal company) that are classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the company assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for company purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the company at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

1.2 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 are initially measured at cost.

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

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses except for XXX,XXX and XXX which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. 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 - Technical	10 Years
Motor vehicles - Non-technical	5 Years
IT equipment	3 Years
Leasehold improvements	20 Years
(Limited to the shorter of the lease term or useful life of the component)	
Aircraft, includes the following components	
• Airframes	20 Years
• Interior seats	8 Years
• Engines	20 Years

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

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

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

Assets which the (company/group) holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 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.

1.4 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.
Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.
An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

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

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

1.5 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 receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. 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 profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

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

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

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

1.6 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 and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

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

Tax expenses

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

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

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

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.

1.7 Leases

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

Finance leases – lessee

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

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. 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.

Any contingent rents are expensed in the period they are incurred.

1.8 Inventories

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

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

1.10 Impairment of assets

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

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

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

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

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

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

1.11 Share capital and equity

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

1.12 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.13 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by .

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

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.

Interest is recognised, in profit or loss, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements. Dividends are recognised, in profit or loss, when the company's right to receive payment has been established. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Finance costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

1.15 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. When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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.

1.16 Maintenance reserves

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

1.17 Maintanance plans (Including power by the hour agreements)

The company raises a provision for the restoration of leased aircraft in accordance with the lease contracts. The prepayment made at inception of the lease is recognised as an asset and is written off/wound down against the provision as maintenance of the relevant aircraft is incurred.

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

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

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended March 31, 2014 is as follows:

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

The entity has not applied the new [name the standard or interpretation] issued, and effective for periods commencing . (Describe the new required treatment and the current treatment.) The estimated impact of the implementation of the new standard on the YYYY annual financial statements is as follows:

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

3.2 Standards and Interpretations early adopted

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

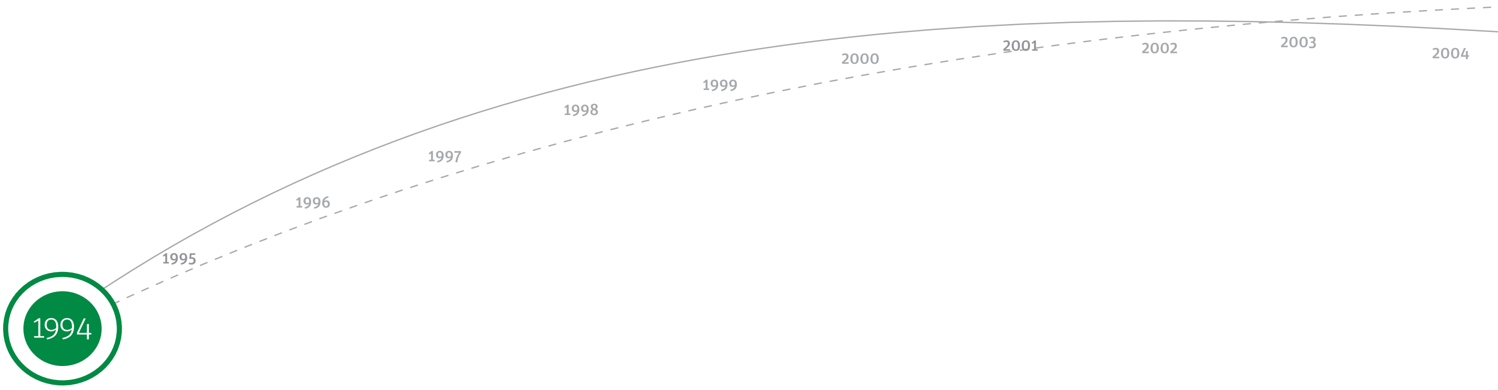
IFRS 9 Financial Instruments

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

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

The effective date of the standard is for years beginning on or after 01 January 2015.

The company has early adopted the standard for the first time in the 2014 annual financial statements. The impact of the standard is set out in note 2 Changes in Accounting Policy.



4. PROPERTY, PLANT AND EQUIPMENT

2014

	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold improvements - Aircraft	160 159 834	(66 106 270)	94 053 564
Plant and machinery	31 885 147	(26 956 771)	4 928 376
Motor vehicles	3 595 252	(3 393 223)	202 029
Rotables	178 646 661	(135 525 312)	43 121 349
Land, buildings and structures	1 985 245	(792 603)	1 192 642
Aircraft	909 586 655	(773 930 438)	135 656 217
Containers	5 650	(4 826)	824
Capital work in progress	695 412	-	695 412
Total	**1 286 559 856**	**(1 006 709 443)**	**279 850 413**

2013

	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold improvements - Aircraft	65 748 221	(35 249 611)	30 498 610
Plant and machinery	28 224 094	(25 891 078)	2 333 016
Motor vehicles	3 721 452	(3 366 121)	355 331
Rotables	120 961 525	(90 355 303)	30 606 222
Land, buildings and structures	1 979 280	(717 219)	1 262 061
Aircraft	894 087 083	(752 771 110)	141 315 973
Containers	5 650	(4 544)	1 106
Capital work in progress	531 751	-	531 751
Total	**1 115 259 056**	**(908 354 986)**	**206 904 070**

2012

	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold improvements - Aircraft	39 945 188	(13 978 163)	25 967 025
Plant and machinery	27 389 865	(25 252 343)	2 137 522
Motor vehicles	3 456 552	(3 207 903)	248 649
Rotables	108 939 470	(46 565 897)	62 373 573
Land, buildings and structures	1 199 280	(608 662)	590 618
Aircraft	810 209 019	(682 466 553)	127 742 466
Containers	5 650	(4 261)	1 389
Capital work in progress	141 236	-	141 236
Total	**991 286 260**	**(772 083 782)**	**219 202 478**

Reconciliation of property, plant and equipment - 2014

2014

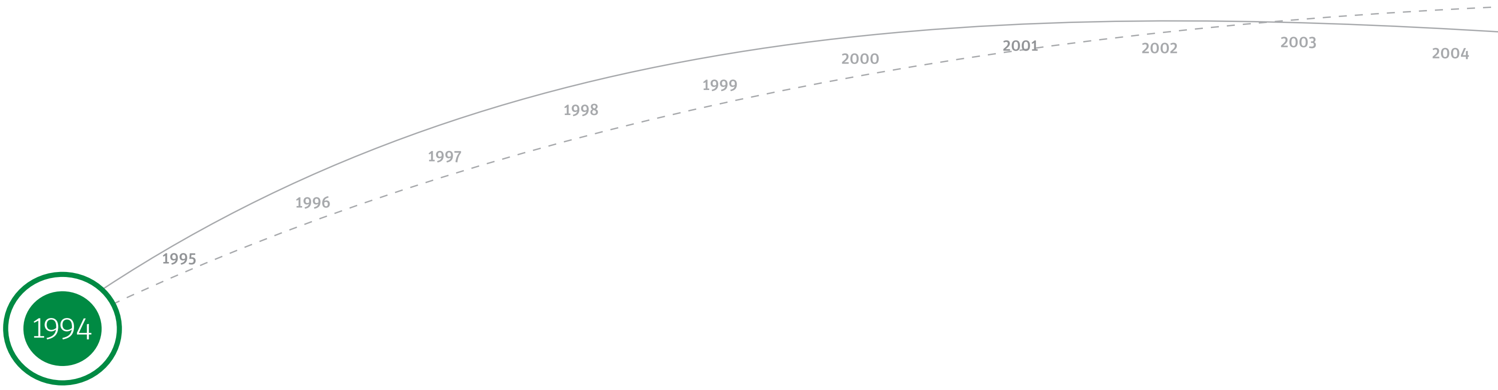
	Opening balance	Additions	Other changes, movements	Depreciation	Total
Leasehold improvements - Aircraft	30 498 610	94 411 613	(208 704)	(30 647 955)	94 053 564
Plant and machinery	2 333 016	3 661 051	208 704	(1 274 395)	4 928 376
Motor vehicles	355 331	-	-	(153 302)	202 029
Rotables	30 606 222	57 685 136	-	(45 170 009)	43 121 349
Land, buildings and structures	1 262 061	5 965	-	(75 384)	1 192 642
Aircraft	141 315 973	24 318 590	-	(29 978 346)	135 656 217
Containers	1 106	-	-	(282)	824
Capital work in progress	531 751	163 661	-	-	695 412
Total	**206 904 070**	**180 246 016**	**-**	**(107 299 673)**	**279 850 413**

2013

	Opening balance	Additions	Classified as held for sale	Revaluations	Depreciation	Impairment loss	Total
Leasehold improvements - Aircraft	25 967 025	25 803 031	-	-	(21 271 446)	-	30 498 610
Plant and machinery	2 137 522	834 231	-	-	(638 737)	-	2 333 016
Motor vehicles	248 649	264 900	-	(41 221)	(116 997)	-	355 331
Rotables	62 373 573	8 930 597	(1 409 494)	21 444 531	(43 789 406)	(16 943 579)	30 606 222
Land, buildings and structures	590 618	780 000	-	-	(108 557)	-	1 262 061
Aircraft	127 742 466	83 878 065	-	-	(70 304 558)	-	141 315 973
Containers	1 389	-	-	-	(283)	-	1 106
Capital work in progress	141 236	390 515	-	-	-	-	531 751
Total	**219 202 478**	**120 881 339**	**(1 409 494)**	**21 403 310**	**(136 229 984)**	**(16 943 579)**	**206 904 070**

2012

	Opening Balance	Additions Foreign	Disposals	Revalutions	Tranfers	Exchange Movements	Other changes, movements	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	136 244 750	(4 539 117)	-	(27 305 281)	-	(46 565 897)	(21 329 372)	62 373 573
Land, buildings and structures	158 072	-	527 108	-	-	-	-	(94 562)	-	590 618
Aircraft	193 456 225	8 819 023	-	-	-	-	-	(74 532 782)	-	127 742 466
Containers	537	-	-	-	1 135	-	-	(283)	-	1 389
Capital work in progress	-	59 688 543	(59 547 307)	-	-	-	-	-	-	141 236
Total	**202 197 343**	**95 914 941**	**109 972 775**	**(4 539 117)**	**1 135**	**(27 305 281)**	**(674 189)**	**(135 035 136)**	**(21 329 993)**	**219 202 478**



5. INTANGIBLE ASSETS

	2014			2013			2012		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer packages	9 131 416	(8 734 266)	397 150	7 231 025	(6 468 199)	762 826	9 422 434	(6 717 913)	2 704 521
Uniform design	850 000	(850 000)	-	850 000	(524 167)	325 833	850 000	(354 167)	495 833
Total	**9 981 416**	**(9 584 266)**	**397 150**	**8 081 025**	**(6 992 366)**	**1 088 659**	**10 272 434**	**(7 072 080)**	**3 200 354**

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Transfers	Amortisation	Total
Computer packages	762 826	68 104	1 832 286	(2 266 066)	397 150
Uniform design	325 833	-	-	(325 833)	-
Total	**1 088 659**	**68 104**	**1 832 286**	**(2 591 899)**	**397 150**

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Transfers	Amortisation	Total
Computer packages	2 704 521	108 591	(1 340 000)	(710 286)	762 826
Uniform design	495 833	-	-	(170 000)	325 833
Total	**3 200 354**	**108 591**	**(1 340 000)**	**(880 286)**	**1 088 659**

Reconciliation of intangible assets - 2012

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

6. OTHER FINANCIAL ASSETS

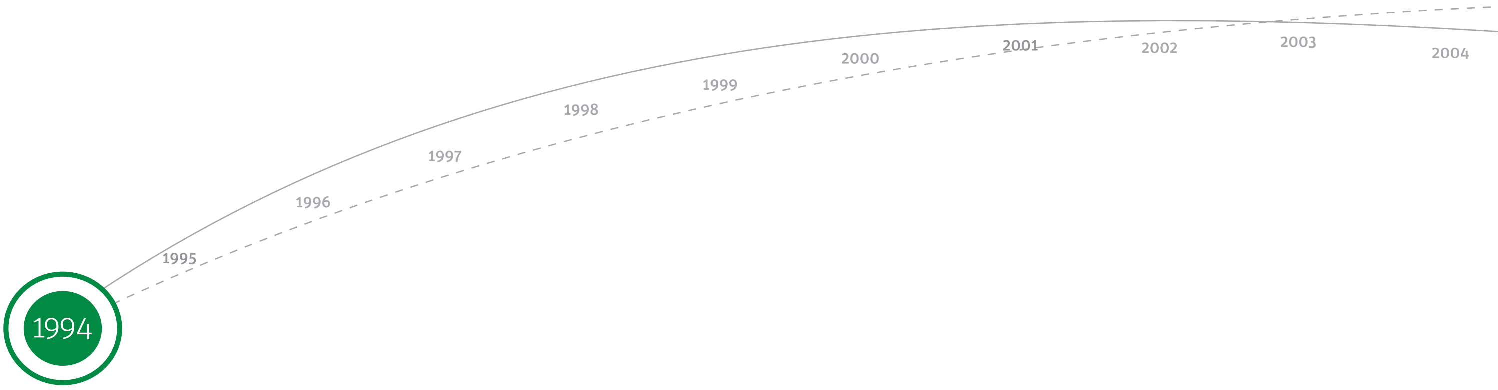
2014

	2014	2013	2012
Held to maturity			
Other financial asset 1	75 112 192	73 641 660	69 081 116
Terms and conditions	75 112 192	73 641 660	69 081 116
Current assets			
Held to maturity	75 112 192	73 641 660	69 081 116
Non-current assets	-	-	-
Current assets	75 112 192	73 641 660	69 081 116

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.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2014 and 2013, as all the financial assets were disposed of at their redemption date.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The company does not hold any collateral as security.



7. DEFERRED TAX

Deferred tax liability

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Figures in Rand	2014	2013	2012
Deferred tax asset	**207 335 336**	**159 122 113**	**-**
Reconciliation of deferred tax asset / (liability)			
At beginning of year	159 122 113	-	-
(Originating)/reversing temporary difference on fixed assets	(8 995 796)	(25 812 069)	50 494 546
(Originating)/reversing temporary difference on intangible assets	(468 908)	(584 814)	-
(Originating)/reversing temporary difference on provisions	26 189 612	25 902 120	-
(Originating)/reversing temporary difference on prepayments	(33 875 280)	(10 573 813)	-
Originating temporary difference on accrual of interest on tax	(827 579)	(1 850 251)	-
Originating temporary difference on maintenance reserves	-	(5 941 530)	-
Originating temporary difference on assessed loss	66 979 980	29 717 234	-
(Originating)/Reversing temporary difference on unrealised foreign exchange	-	-	8 604
Deferred Tax Asset not previously Raised	-	148 265 236	(50 503 150)
Total	**208 164 142**	**159 122 113**	**-**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Figures in Rand	2014	2013	2012
Unrecognised deferred tax asset			
Deductible temporary differences not recognised as deferred tax assets	-	-	122 032 441
Total	**-**	**-**	**122 032 441**

8. PRIOR YEAR ADJUSTMENTS

The prior year adjustment relates to the following items:	
Write-off of Maintenance Reserves charged to Statement of Comprehensive Income	2 370 347
Leave Provision Forfeited	1 002 437
Aircraft Additions expensed in error	6 075 422
Depreciation Overprovided in Prior year-Aircraft	4 376 327
Depreciation Overprovided in Prior Year-Intangibles	1 121 111
Depreciation Overprovided in Prior Year-Machinery	203 784
Overaccrual of Costs in Prior Year	351 540
Intangible Asset Scrapped in Prior Year	-1 340 000
Rotables Written Off in Prior Year	-16 943 579
Prepayment of Repairs charged to Statement of Comprehensive Income	2 525 820
Total	**-2 627 139**
Deferred Tax Effect	**735 599**
Total Effect on Opening Retained Income	-1 891 540

Reconciliation 2013 previously reported

Adjustments 2013 restated

	2013 previously reported	Adjustments	2013 restated
Provision for Maintenance Reserves -	-	(49 778 202)	(49 778 202)
Intangibles-Cost	10 381 025	(1 340 000)	9 041 025
Rotables-Cost	137 905 104	(16 943 579)	120 961 525
Provision for Leave Pay	(16 260 186)	1 002 437	(15 257 749)
Aircraft Owned-Cost	888 011 661	6 075 422	894 087 083
Aircraft Owned-Accumulated Depreciation	(757 147 437)	4 376 327	(752 771 110)
Intangibles-Accumulated Depreciation	(9 073 477)	1 121 111	(7 952 366)
Sundry Debtors-Prepaid Expenses	14 476 888	2 525 820	17 002 708
Sundry Creditors Machinery	(766 041)	351 540	(414 501)
Accumulated Depreciation	(26 094 862)	203 784	(25 891 078)
Maintenance Reserves Asset	131 388 970	49 778 202	181 167 172
Deferred Tax Asset	158 386 51	735 599	159 122 112
Total	**531 208 158**	**(1 891 539)**	**529 316 619**

9. INVENTORIES

	2014	2013	2012
Inventories	157 883 412	105 997 534	80 669 295
Inventories (write-downs)	-	(20 415 185)	(2 806 755)
Total	**157 883 412**	**85 582 349**	**77 862 540**

10. TRADE AND OTHER RECEIVABLES

Figures in Rand	2014	2013	2012
Trade receivables	455 491 984	400 459 973	341 934 963
Employee costs in advance	6 179 110	7 472 911	14 623 322
Prepayments	298 355 965	176 321 755	132 011 060
Deposits	29 644 603	23 507 320	20 110 918
VAT	15 867 965	21 774 418	8 204 211
Maintenance reserve	84 610 710	181 167 172	105 967 158
Total	**890 150 337**	**810 703 549**	**622 851 632**

Trade and other receivables past due but not impaired

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

Figures in Rand	2014	2013	2012
1 month past due	1 823 268	7 248	1 390 965
3 months past due	7 965 511	555 876	1 463 940

Trade and other receivables impaired

As of 31 March 2014, trade and other receivables of R 1 788 345 (2013: R 1 689 531) were impaired and provided for. The amount of the provision was R (1 788 345) as of 31 March 2014 (2013: R (1 697 232)).

The ageing of these loans is as follows:
Prepayments-Aircraft Restoration Costs relate to Restoration Costs for Leased Aircraft; these are paid to Pratt & Whitney, per contract with them, who will perform the maintenance at the end of the Lease Contract.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The company does not hold any collateral as security.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in Rand	2014	2013	2012
Cash on hand	73 017	72 954	54 999
Short-term deposits	-	22 503 043	23 661 853
Bank overdraft	(95 555 175)	(91 514 845)	(85 454 749)
Total	**(95 482 158)**	**(68 938 848)**	**(61 737 897)**
Current assets	73 017	22 575 997	23 716 852
Current liabilities	(95 555 175)	(91 514 845)	(85 454 749)
Total	**(95 482 158)**	**(68 938 848)**	**(61 737 897)**
Net cash at year end	(95 482 158)	(68 938 848)	(61 737 897)
The total amount of undrawn facilities available for future operating activities and commitments	19 039 147	24 485 155	30 545 251

12. NON-CURRENT ASSETS HELD FOR SALE

The company has decided to sell some of its engines as they are no longer required. The board of directors approved the diposal, and a Request for Proposals was issued, and proposals from interested buyers were received. These engines were fully depreciated and had no carrying value. It is anticipated that these engines will be sold for best value as and when offers are received.

13. SHARE CAPITAL

Figures in Rand	2014	2013	2012
Authorised			
1000 Ordinary shares of R1 each	1000	1000	1000
Total	**1000**	**1000**	**1000**

Reconciliation of number of shares issued

	2014	2013	2012
Issued			
452 Ordinary shares of R1 each	452	452	452
Share premium	501 837 066	501 837 066	501 837 066
Total	**501 837 518**	**501 837 518**	**501 837 518**

14. SHAREHOLDER LOAN

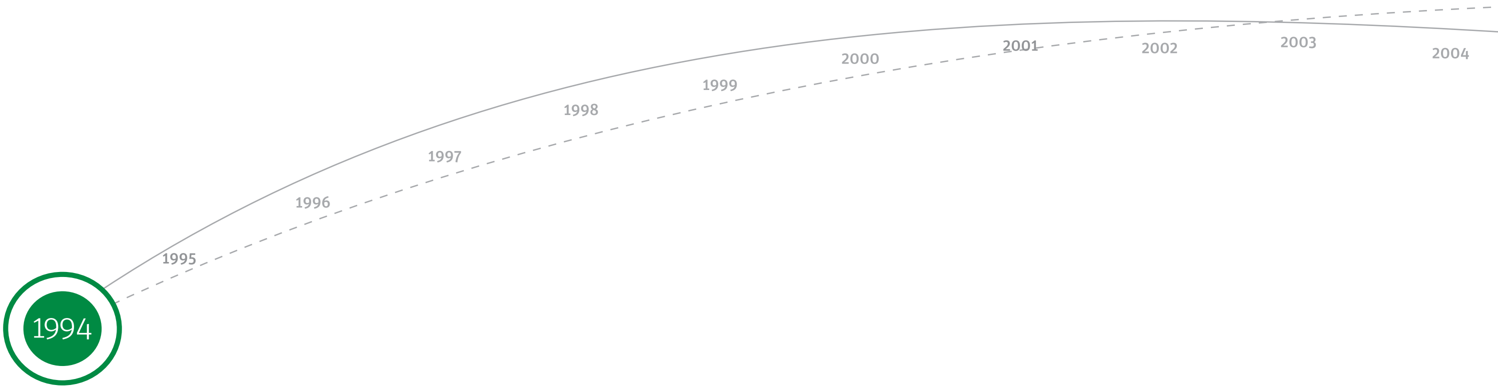
Capital reserves comprise of an interest free loan, where the company has no contractual obligation to deliver cash or another financial asset to the shareholder. The instrument will or may be settled in the issuer's own equity instrument, if ever called upon.

	2014	2013	2012
Shareholder loan	356 954 972	356 954 972	356 954 972
Total	**356 954 972**	**356 954 972**	**356 954 972**

15. OTHER FINANCIAL LIABILITIES

Figures in Rand	2014	2013	2012
Held at amortised cost			
Nedbank Ltd	300 000 000	200 000 000	200 000 000
Total	**300 000 000**	**200 000 000**	**200 000 000**
Non-current liabilities			
At amortised cost	200 000 000	200 000 000	200 000 000
Current liabilities			
At amortised cost	100 000 000	-	-
	300 000 000	-	200 000 000
	-	-	-
Total	**300 000 000**	**200 000 000**	**200 000 000**

The loan represents a revolving credit facility payable as follows: R100 million in June 2015; R50 million in October 2015; R50 million in December 2015 and the remaining R100 million in March 2015. The interest on the loan is payable quarterly at a rate of 7.3%.



16. PROVISIONS

Reconciliation of provisions - 2014

	Opening balance	Additions	Utilised during the year	Total
Product warranties	49 778 202	-	(2 370 347)	47 407 855
Maintenance Reserves	101 569 401	99 974 308	-	201 543 709
Total	**151 347 603**	**99 974 308**	**(2 370 347)**	**248 951 564**

Reconciliation of provisions - 2013

	Opening balance	Additions	Total
Maintenance Reserves	-	49 778 202	49 778 202
Aircraft restoration	68 950 588	32 618 813	101 569 401
Total	**69 950 588**	**82 397 015**	**151 347 603**

The provision for Aircraft Resoration relates to estimated restoration costs that the Company is expected to carry out during the term of the lease contract and also at the end of the Operating Leases. The company has entered into a contract with Pratt & Whitney, who will perform the required maintenance on the Aircraft. There is no expected reimbursement in respect of this provision. The Maintenance Reserves relates to Maintenance Costs incurred on leased Aircraft, for which we have not been reimbursed by the Lessor.

17. NEUTRALITY ADVANCE

The determination of the pre-payment to SA Express Airways is adjusted quarterly to provide cash neutrality to both SouthAfrican Airways and SA Express Airways, to compensate the company for the loss of interest caused by the delay in receiving revenue.

18. CURRENT TAX RECEIVABLE

The current tax receivable relates to overpayments of provisional taxes made and interest accrued thereon.

Figures in Rand	2014	2013	2012
Reconciliation of tax receivable			
Opening Balance	106 344 272	99 736 232	92 481 987
Provisional tax payments	-	-	7 254 245
Interest accrued on overpayments of provisional tax	2 955 640	6 608 040	-
Total	**109 299 912**	**106 344 272**	**99 736 232**

19. TRADE AND OTHER PAYABLES

Figures in Rand	2014	2013	2012
Trade payables	666 399 447	387 934 630	317 873 749
Extended Terms	-	110 000 000	-
Workmens compensation	1 636 267	1 212 225	1 284 974
Accrued interest	14 201 235	16 260 186	17 591 285
Accrued expenses - Lease smoothing	62 426 284	41 576 628	-
Accrued salary and wages	9 293 105	9 712 452	6 698 174
Accrued interest	2 716 903	1 705 215	1 533 042
Accrued long term incentives	-	-	328 319
Passenger service charge	4 438 274	264 716	-
Provision for Leave	14 201 235	15 257 749	-
Total	**775 312 750**	**583 923 801**	**345 309 543**

20. REVENUE

Figures in Rand	2014	2013
Passenger	2 469 162 467	2 202 349 191
Cargo	16 043 255	18 065 076
Release of unutilised air traffic liability to revenue	70 168 655	75 138 263
Total	**2 555 374 377**	**2 295 552 530**

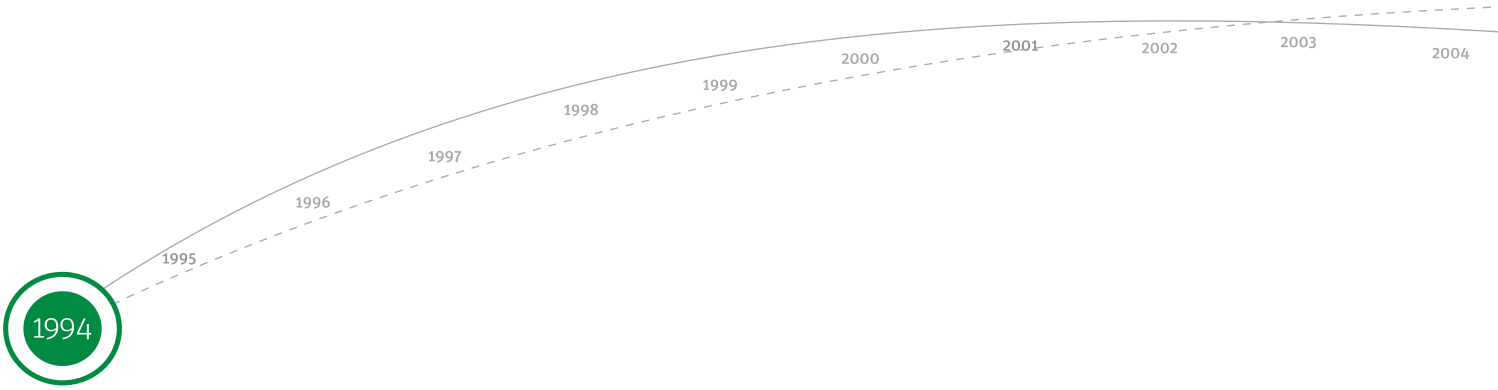
21. OTHER INCOME

Figures in Rand	2014	2013
Other income 1	3 649 401	965 013
Other income 2	26 600 178	17 265 941
Total	**30 249 579**	**18 230 954**

22. OPERATING (LOSS)

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

Figures in Rand	2014	2013
Operating lease charges		
Contractual amounts Premises	14 853 355	12 529 013
Contractual amounts Motor vehicles	1 118 944	895 745
Contractual amounts Equipment	7 781 630	7 606 729
Contractual amounts Aircraft	289 287 920	269 486 454
Total	**313 041 849**	**290 517 941**
Impairment of Other Assets	69 210 368	-
Impairment of PPE	7 513	1 409 494
(Profit)/Loss on sale of non-current assets held for sale	(46 053)	(30 188 474)
Employee costs	547 267 273	486 982 607



23. INVESTMENT REVENUE

Reconciliation of provisions - 2014

	2014	2013
Interest revenue Bank	8 286 366	12 976 231
Total	**8 286 366**	**12 976 231**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through profit or loss amounted to R8 286 366 (2013: R12 976 231).

24. IMPAIRMENT OF PPE

	2014	2013
Scrapping arising on subsequent recognition of rotables	(7 513)	(1 409 494)
Total	**(7 513)**	**(1 409 494)**

25. FINANCE COSTS

	2014	2013
Bank	26 234 995	19 999 359
Interest paid	12 550 463	4 707 243
Total	**38 785 458**	**24 706 602**

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the company. Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through profit or loss amounted to R38 785 458 (2013: R 24 706 602).

26. TAXATION

Major components of the tax expense

Figures in Rand	2014	2013
Deferred		
Originating and reversing temporary differences	49 042 029	(41 014 927)
Arising from previously unrecognised tax loss / tax credit / temporary difference	-	(118 107 186)
Deferred tax - current year	(49 042 029)	159 122 113
Total	**-**	**-**

Reconciliation of the tax expense

Figures in Rand	2014	2013
Reconciliation between applicable tax rate and average effective tax rate		
Applicable tax rate	28,00 %	28,00 %
Permanent differences	(1,79)%	(0,41)%
Previously unrecognised deferred tax asset	- %	73,65 %
Capital gains tax	- %	(2,02)%
Total	**26,21 %**	**99,22 %**

No provision has been made for 2014 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R631 907 418 - (2013: R392 693 200).

27. AUDITORS' REMUNERATION

Figures in Rand	2014	2013
External auditors	4 567 265	5 451 499
Internal auditors	1 082 943	1 842 296
Total	**5 650 208**	**7 293 795**

28. COMMITMENTS

Operating Lease requirements for the business mainly relate to the leases from Aircraft Lessors. The leases that are dollar denominated were converted using a year-end rate of R10.519:1 USD.

Figures in Rand	2014	2013
Details of Commitments		
Payable within 1 year	172 503 612	206 276 832
Payable within 2 - 5 years	759 838 656	735 871 303
Over 5 years	499 621 382	698 548 156
Total	**1 431 963 650**	**1 640 696 291**

29. CASH (USED IN) GENERATED FROM OPERATIONS

Figures in Rand	2014	2013
(Loss) before taxation	(187 107 363)	(160 363 188)
Adjustments for:		
Impairment of PPE	-	41 222
Profit on sale of non-current assets	(46 053)	(30 188 474)
Impairment of other assets	69 210 368	16 943 579
Interest received – investments	(8 286 366)	(12 976 231)
Finance costs	38 785 458	24 706 602
Fair Value Adjustment On Intangible Assets	-	(1 832 287)
Inventory and write downs -	-	20 415 185
Movement In Provisions	97 603 961	82 397 015
Other non-cash items - accrual of interest on overpayment of provisional tax	(2 955 640)	(6 608 040)
Other non-cash items -Prior year adjustments	(72 301 063)	(28 134 994)
Trade and other receivables	(79 446 788)	(258 849 875)
Trade and other payables	191 388 949	238 614 259
Total	**154 904 754**	**23 107 328**

30. TAX PAID

	2014	2013
Balance at beginning of the year	106 344 272	99 736 233
Interest on overpayment of provisional tax accrued	2 955 640	6 608 039
Balance at end of the year	(109 299 912)	(106 344 272)
Cash outflow for the year	**-**	**-**

31. 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:

Airports Company of South Africa	R110 822
Commissioner For Customs and Excise	R275 000
Richards Bay Airport Company (Pty) Limited	R1 700 526
Canadian Regional Aicraft Finance Transaction	R9 425 203
Computershare	R8 162 899
Lighthouse	R5 049 216
Air Traffic Navigation Services Limited	R9 950 000
SAN Parks	R300 000
Brit Air	R16 409 952
Bombardier	R10 519 200

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) Limited	R20 000 000
Lufthansa Technik	R5 024 322

32. RELATED PARTIES

Figures in Rand	2014	2013
Neutrality advance Owing (to) by related parties		
South African Airways (SOC) Limited	(177 266 915)	(177 266 915)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
South African Airways (SOC) Limited	314 835 080	260 721 298
South African Airways Cargo (Proprietary) Limited	1 512 745	3 052 062
South African Airways (SOC) Limited	(350 996 636)	(240 583 608)
South African Airways Technical (Proprietary) Limited	(3 627 212)	(724 374)
Air Chefs (Proprietary) Limited	(8 211 445)	(5 983 979)
Denel (SOC) Limited	(1 377 958)	(2 790 919)
Related party transactions		
Purchases from (sales to) related parties		
South African Airways (SOC) Limited	(2 786 816 449)	(2 770 239 351)
South African Airways Cargo (Proprietary) Limited	(16 456 475)	(18 470 472)
Denel (SOC) Limited	3 945 181	3 083 489
Air Chefs (Proprietary) Limited	51 076 667	66 365 825
South African Airways Cargo (Proprietary) Limited	827 645	528 923
South African Airways Technical (Proprietary) Limited	9 657 350	7 471 410
Total	-	-

33. DIRECTORS' EMOLUMENTS

2014	Emoluments	Other benefits*	Pension paid or receivable	Total
Ntshanga I - CEO	2 297 683	219 617	104 065	2 621 365
Ngwenya ZZ - CFO	1 656 032	78 069	84 628	1 818 729
Total	**3 953 715**	**297 686**	**188 693**	**4 440 094**

2013	Emoluments	Other benefits*	Pension paid or receivable	Total
Ntshanga I - CEO	1 824 649	185 301	90 630	2 100 580
Ngwenya ZZ - CFO	477 850	24 615	12 478	514 943
Total	**2 302 499**	**209 916**	**103 108**	**2 615 523**

Non-Executive

2014	Directors' Fees	Total
A. Mabizela	702 912	702 912
B. Ssamula	347 615	347 615
B. Dibate	276 590	276 590
K. Nondumo	262 312	262 312
N. Moshimane	221 198	221 198
E. Mabyana	250 084	250 084
N. Gxumisa	276 590	276 590
G. Mothema	250 084	250 084
Total	**2 587 385**	**2 587 385**

2013	Directors' Fees	Total
C. Christodoulou	178 153	178 153
B.F. Mohale	107 921	107 921
E. Mabyana	178 632	178 632
L.G. Boyle	334 720	334 720
L. Ledwaba	105 333	105 333
B. Ssamula	302 824	302 824
A. Mabizela	502 080	502 080
B. Dibate	197 564	197 564
N. Gxumisa	197 564	197 564
G. Mothema	200 559	200 559
S. Tshifularo	52 666	52 666
N. Moshimane	157 999	157 999
V. Matsoso	124 912	124 912
K. Nondumo	187 365	187 365
Total	**2 828 292**	**2 828 292**

34. CHANGE IN ESTIMATE

Property, plant and equipment

The useful life of Intangible Assets that had fully depreciated in the current year was assessed since the company continued to consume economic benefit from these Intangibles. The effect of this assessment was an increase to the value of the Intangible assets and Amortisation by R1 832 286 in the current year.

35. RISK MANAGEMENT

Capital risk management

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

The capital structure of the company consists of debt, which includes the borrowings (excluding derivative financial liabilities)disclosed in notes 15, cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

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

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents.

Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The company's strategy is to maintain a gearing ratio of between % to %.

There are no externally imposed capital requirements.

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.

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.

At 31 March 2014	Less than 1 year	Between 1 and 2 years
Borrowings	-	300 000 000
Trade and other payables	776 604 371	-
Neutrality advance	177 266 915	-
Bank overdraft	95 555 175	-

At 31 March 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	-	110 000 000	200 000 000
Trade and other payables	424 145 600	-	-
Neutrality advance	177 266 915	-	-
Bank overdraft	91 514 845	-	-

Interest rate risk

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year-end were as follows:

The company is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of a (Pty) Ltd. Refer to note for additional details.

Currency risk

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the company use forward contracts, transacted with company treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The company treasury's risk management policy is to hedge between 75% and 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency for the subsequent 12 months. Approximately 90% of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

For segment reporting purposes, each subsidiary designates contracts with group treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

Foreign currency exposure at the end of the reporting period

Figures in Rand	2014	2013
The average for the year was	10	8
Financial Assets by category		
Deposits	29 644 603	23 507 320
Trade and other receivables	736 359 477	670 637 119
Cash on hand	73 017	79 954
Shot-term deposit	-	22 503 043
Prepayments	9 441 525	14 476 888
Financial liabilities by category		
Trade payables	776 604 371	424 145 600
Bank overdraft	95 555 175	91 514 845
Neutrality advance	177 266 915	177 266 915
Borrowings	300 000 000	200 000 000

The company reviews its foreign currency exposure, including commitments, on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

37. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Figures in Rand	2014	2013
Opening Balance	9 894 754	516 293
Penalties for late payments	17 007 084	9 378 461
	26 901 838	**9 894 754**

SOUTH AFRICAN EXPRESS AIRWAYS (SOC) LTD (Registration number 1990/007412/30)
Annual Financial Statements for the year ended 31 March 2014.

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Aviation
Directors	A. Mabizela, I. Ntshanga, B. Ssamula, B. Dibate, K. Nondumo, N. Moshimane, E. Mabyana, N. Gxumisa, G. Mothema, Z. Ngwenya Resigned 31/03/2014
Registered office	4th Floor Offices, West Wing, Pier Development, O.R. Tambo International Airport, 1627
Business address	P.O. Box 101 O.R. Tambo International Airport 1627
Holding company	Department of Public Enterprises on behalf of the South African Government Incorporated in accordance with the Companies Act of the Republic of South Africa
Bankers	First National Bank Nedbank, a division of Nedbank Group Limited
Auditors	Auditor-General of South Africa registered auditors
Secretary	Bongani Mathebula
Company registration number	1990/007412/30
Tax reference number	9466416840

The annual financial statements were internally compiled by Mark Shelley, Acting Interim CFO.

Notes

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004

Notes

20 YEARS in Aviation

20 YEARS OF FREEDOM

sa express

we fly for you

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014