Annual Report 2015

sa express

we fly for you

ESTABLISHED 1994

37 743 FLIGHTS PER YEAR

29 DESTINATIONS

1 127 EMPLOYEES

24 AIRCRAFT

88% ON TIME DEPARTURES

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sa express
we fly for you

Report Profile

Scope, Boundary and Reporting Cycle

This Annual Report of South African Express SOC Limited seeks to engage, inform and involve our stakeholders on the performance of the Company for the period 1 April 2014 to 31 March 2015. It presents the mandate, strategy, governance, performance review and the future outlook of the Company. 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.

This SA Express 2014/15 Annual Report, and the preceding periods' Annual Reports are available on the **www.flyexpress.aero** website.

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

- SA Express Overview;
- 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 economic and financial outlook. We considered 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 outmost importance to address.

The information included in this Report aims to provide the State and all South Africans at large with a good understanding of the significant economic, social and environmental risks and opportunities that the airline industry faces, in the short and medium term. It further demonstrates the unique response of the Company 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 ability of the airline to focus on creating sustainable value for its Shareholder.

Furthermore, the report highlights the focus of the airline in reducing its carbon footprint and compliance with international emission standards. In addition, the report also attempts to explain SA Express to be a leader in transforming the sector through its concerted human capital focus such as the SA Express MACH I and MACH II cadet pilot programmes. This Annual Report presents the economic, social and environmental performance of the Company as well as the financial results for the financial year ended 31 March 2015. It demonstrates how South African Express Airways SOC Limited responded to stakeholders, risks, opportunities in order to create a sustainable economic, social and environmental value.

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

The Annual Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the Financial Reporting Guides issued by the Accounting Practices Committee. The reporting on sustainable development by the Company is guided by the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). The Company has applied the majority of the principles contained in the King Code of Governance for South Africa 2009 (King III). The reporting on sustainable development by the Company is guided, as well as the few instances of non-conformance, are recorded and explained in the King III register of the Company.

Our Stakeholders

The Company as a State Owned Company, reporting to the Department of Public Enterprise (DPE), is committed to the founding mandate of the airline and the preamble of the SA Express Act of 2007. The mandate of the airline is to offer seamless air travel and offer connectivity to secondary and main airports 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, thus the commitment to operating to the five SADC countries (Botswana, Democratic Republic of Congo, Namibia, Zambia, and Zimbabwe).

Of principal importance is the commitment of the Company to its stakeholders to conduct its business in a sustainable and responsible manner and to respond to their respective needs as entrenched in its core values. The nature of the business implies a close relationship with its stakeholders, who include - but are not limited to:

- Customers who we fly, 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 ability of the Company to fly; and
- Government Regulatory and Industry Bodies, since the industry in which the Company operates is subject to extensive government and regulatory oversight; and
- 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 size of the Company, 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 84 to 135 were audited by independent external auditors, the Auditor General of South Africa (AGSA), in accordance with International Standards of Auditing, read with Public Audit Act, 2004 (Act 25 of 2004).

ABOUT SA EXPRESS

Our Purpose

A sustainable, 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 keep it **simple**

SA Express Overview

The airline was founded on the eve of the new democratic South Africa on 24th April 1994. The airline turned 21 this year and now operates a fleet of 24 aircraft. SA Express is a regional airline offering seamless connectivity between primary and secondary, domestic and regional destinations in South Africa and Southern Africa. Our objective is to provide the 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 Airlift Strategy of the State, 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 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 Annual Report highlights the key achievements and opportunity to operationalise the strategy and vision of the airline.

Our Footprint

LUBUMBASHI

LUSAKA

HARARE

WINDHOEK

WALVIS BAY

GABORONE

HOEDSPRUIT

MAPUTO

KIMBERLEY

JOHANNESBURG

RICHARDS BAY

BLOEMFONTEIN

DURBAN

EAST LONDON

CAPE TOWN

GEORGE

PORT ELIZABETH

Key results 2015

Financial Results	2014/15	2013/14 (Restated)
Revenue	R2.59bn	R2.56bn
Operating Profit (Loss)	R15m	(R25m)
Net Profit (loss)	(132m)	(R10m)
Key Financial Statistics		
Operating margin	1%	(1%)
Operating Statistics		
Passengers carried	1.451m	1.496m
Passenger load factors	61%	64%

Operational and Performance Highlights

Passengers (Millions)

Revenue (Billions)

Net Profit/Loss (Millions)

Operational and Performance Highlights

Operating Profit/Loss (Millions)

Passenger Load Factors (%)

Number of Employees

OTP (%)

On-time Performance (OTP) - 2015 Operational Performance

SA Express has achieved 88% on its OTP. In this financial year there was a significant improvement which was influenced by Management's focus on optimising the schedule in line with aircraft availability.

SA Express has cemented internal and external processes that have been significantly enhanced by rolling out systems that have the focus of customer interface as core. We have also prioritised employee functional training in the Operations Control Centre (OCC). Business processes have been aligned to the system and critical skills and staff resourcing have been addressed.

The change in schedule continues to have positive impact that has seen the improvement of the average number of passengers per aircraft. The average delays have been contained within a 30-minute time frame. SA Express will continue to strive to achieve the 90% internal target for OTP as a norm.

On-time Performance (OTP) - 2014/15 Operational Performance

Fleet Facts

South African Express Airways – Facts and Figures

Aircraft Type	CRJ 200	CRJ 700	DHC-8-Q400
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	6.30	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	6 858 kg	8 822 kg	5 318 kg
Number of Seats	50	70	74
Maximum Payload	5 488 kg	7 787 kg	8 100 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	8 729 / 9 220 (lbf)	12 418 / 13 489 (lbf)	4 580 / 5 071 (shp)
Performance			
Fuel consumption at normal cruise speed kg/hr	± 1 030	± 1 480	± 900
Cruise speed – Mach/Tas/km/hr	0.70/420/778	0.78/460/850	320/590
Range at full pax load - nm	950	1 500	950

Implementation of the Strategy

In keeping with continuously improving operational and financial performance of the entity SA Express Management has embraced the SAX 20/20 Vision. The strategy continues to embody SA Express desired future outlook by addressing the following 5 key strategic objectives:

- To be a sustainable, well-managed and profitable regional airline;
- To become a catalyst for key developmental State objectives, including the development of infrastructure, facilitation of trade, and growth of the tourism industry;
- To foster performance excellence through the development of people, skills and job-creation;
- To provide consistent and efficient customer service; and
- To expand the airline's services throughout Africa.

SAX 20/20 Vision is a catalyst for fulfilling the socio-developmental and mandate of the airline while ensuring sustainability of operations in a highly competitive sector.

SAX 20/20 Vision: A new business model

The strategy seeks to renew and define a vision strategy that will improve the sustainability of the organisation into the next 20 years.

- 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; and
- To foster performance excellence through our people, skills and job creation.

Figure 1

Opportunity statement: Journey to end state

SA Express seeks to unlock its potential for growth through innovation and quick-response-to -market needs. Working closely with SAA can achieve this but should this not be achieved, then SA Express will review the code use agreement to ensure it achieves its mission of greater connectivity and innovation.

Furthermore, the Company is revitalising and extending the existing network and matching capacity to demand with the fleet choice; driving capital expansion. 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 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 capacity for existing transformation efforts in order to ensure that the airline is the first fully transformed airline.

Strategy implementation

The implementation is phased over a 20-year period with the aim of addressing the immediate, short term, medium term and long term implementation initiatives. As part of the implementation plan the focus on cost containment and reduction are key deliverables of the short term phase of implementation. These are captured in the Austerity Measures which are a set of holistic and Company-wide initiatives.

Austerity Measures

Cost reduction and avoidance are a core part of the short term implementation plan of the strategy SA Express seeks to ensure sustainable change in the cost structure of the Company while maintaining, with the intention of improving, its performance. The Company resumed negotiations with some of its key stakeholders, were quality is still guaranteed beyond the savings. This resulted in re-negotiations of already existing contracts for the upcoming financial year. In order to demonstrate the savings all known costs are annualized using the previous year's expenditure, with the new discounted rates applied going forward to conclusion of the financial year.

Strategic Intent

The intent of the transformed business model continues to be SA Express building a sustainable regional feeder airline. 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 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 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 000 (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; and

- 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 **21 years** in Aviation

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 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

1994

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 and SA Express carries all the teams domestically

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
SA Express celebrates its 20th year of success

The fourth National Democratic Election takes place

2015

2015
SA Express celebrates its 21st anniversary

OUR LEADERSHIP

Board of Directors

GEORGE MOTHEMA
Chairperson and Non-Executive Director
(Appointed 22 May 2015)
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.

INATI NTSHANGA
CEO and Executive Director has been CEO since September 2010. 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 experience, 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 the Deputy Chairperson also a member of the Executive committee of AASA. He has served as First Vice Chairman on the Executive Committee of African Airlines Association for three years.

MARK SHELLEY
CFO and Executive Director has run his own accounting and consulting practice for 10 years prior to joining SA Express. Prior to that Mark was a co-founder of an AMO that provided technical maintenance services to regional carriers operating in central and West Africa. Before that Mark was Vice President: Finance at South African Airways, responsible for the entire finance function, from 1998 to 2005. He was the first representative from SAA to hold a seat on the IATA Finance Committee. His previous jobs include senior finance Manager positions at the Spar Group, Tongaat Foods and the Chamber of Mines of SA. He holds a BCompt(Hons) (CTA) from UNISA as well as a CA(SA), and is a registered Chartered Accountant and Auditor.

BONI DIBATE
Chairperson Social and Ethics Committe
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 Eastgate 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.

GIVEN SIBIYA
Independent Non-Executive Director,
Appointed-22 May2015.
Qualifications- B.Com, B.Acc, Post Graduate Diploma in Accountancy CA(SA), Registered Assessor (SAICA) Quality assessor with IIASA (Institute of Internal Auditors SA)
Experties-Finance, Audit
Current Employment-Consultant.

NOMVULA NKABINDE
Independent Non-Executive Director,
Appointed-22 May2015.
Qualifications-B.Com(Accounting) Advanced Executive

Programme, MBL
Experties-Finance, Aviation, Strategy, Leadership
Current Employment-MD: Sebenza Forwarding and Shipping

TREVOR ABRAHAMS
Independent Non-Executive Director,
Appointed-22 May2015.
Qualifications- MA in Sociology (Political Economy), BA Hons. In Psychology, BA
Experties-Aviation Safety and Security, Academia, Strategy
Current Employment-Director: Kishugu Holdings

DR RAJESH NAITHANI
Independent Non-Executive Director,
Appointed-22 May2015.
Qualifications- PhD (Pharmaceutical Chemistry) MBA(Stuart)(Strategy and Marketing)
Experties-Science, Medicine, Academia
Current Employment-Advisor for various Universities in India

PHETOLO RAMOSEBUDI
Independent Non-Executive Director,
Appointed-22 May2015.
Qualifications- BSC in Physics and Chemistry Certificate Programme in Mathematical Modelling of Derivatives (UNISA) MBA (UP) in Financial and Investment Management

Accreditations
MIFM (South African Institute of Financial Markets) Certified Financial Risk Management (FRM) from Global Ass. Of Risk

Professionals (GARP); USA
Experties-Finance, Risk Management, Aviation, Freight and Rail, Academia, Stock Broking, Housing

Infrastructure,
Current Employment-Transnet SOC Ltd.

Executive Management

DAVE ALLANBY
General Manager: Flight Operations
is a qualified pilot, that 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 (Resigned)
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
holds a B Proc. degree from the University of 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
completed Bachelor's degree in 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
is the General Manager 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.

BONGANI MATHEBULA
Company Secretary (Resigned)
joined SA Express 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.

MONDE NGQUMEYA
Executive in the CEO's Office and PMO
Monde has extensive aviation experience as he was previously the Chief Director Aviation at the Department of Public Enterprises where he led a Chief Directorate that had oversight responsibility over the state Airline Assets namely SAA and SA Express for 6 years. He was involved in the States review of both the long-term Turnaround strategy of the two airlines, the SA Express transfer from Transnet amongst some of the oversight achievements. He has represented South Africa at various regional and International conferences. He holds a B.Com Transport Economics (RAU), B.Com Transport Economics Honours (UJ) –majoring in Air Transport. PDBA Post Graduate Degree in Business Administration and Masters in Business Administration from the Gordon Institute of Business Studies. His Master's Thesis – was titled "The effect of key performance indicators on State Owned enterprises performance in South Africa : a critical analysis of three national departments .

The Chairperson's Statement

Celebrating 21 years

Having served on the SA Express Board as a Non-Executive Director, I was humbled and honoured to have been appointed to non Executive Chairman from May 2015. On behalf of the SA Express Board, its employees and all its stakeholders, I would like to extend our appreciation to Dr Bridgette Ssamula for her exceptional contribution in leading the SA Express Board as Chairman and all former Non-Executive Directors,

In this financial year 2014/15 we celebrate 21 years of African aviation. SA Express has continuously grown its route network and has over the years evolved to being the second largest airline in South Africa. It has continued to cement itself as a strategic role player in the domestic and regional markets with 1 127 employees, 37 743 flights, 29 city pairs and a route network spanning five SADC countries. This was achieved through the hard work, dedication and vision of the Company's Board, Executive Management and employees.

Compliance and Governance Environment

The Board of Directors has the responsibility of providing strategic oversight of the organisation and ensuring that it complies with the PFMA and other applicable legislation and legal frameworks, including the King III Code of Corporate Governance. Furthermore, the Board is also confident that SA Express is sustainable and that past financial challenges have been alleviated without jeopardising long-term profitability.

Together with the Executive Management team, the Board of Directors continues with ongoing initiatives to strengthen the internal control environment and adherence to the highest standards of corporate governance and financial reporting, whilst ensuring the sustainability of the business. The late submission of this financial report is indicative of the Board's acknowledged need to strengthen the financial reporting and sustainability of SA Express to enable it to continue as a going concern. At the same time, the Board recognises its fiduciary responsibility in its role in a State Owned Company.

Company Performance

SA Express has seen the progress in the implementation of the SAX 20/20 Vision Strategy which is the airlines turnaround strategy. It continues to yield positive financial and operational results supported by the added focus on Company-wide austerity measures currently being implemented by Management. I am pleased with the outcome of this document and the austerity measures proposed as they seek to project the sustainability of SA Express for the next 20 years. Furthermore, as

a State Owned Company and, through the implementation of SAX 20/20, the Board will play a catalytic role in driving the airline's dual mandate. This is characterised by achieving the State's developmental objectives, sustainability in the region, skills development, job creation and expansion into the Africa region while 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 SA Express and South African Airways, endorsed and supported by the Shareholder Representative, the Department of Public Enterprises.

Accordingly we welcome the new Board members all of whom are well placed to make a valuable contribution to the Company's advancements. We also extend our gratitude to our Honourable Minister for her dedication and commitment. It is also fitting to thank all the Board Members for their collective experience, wise counsel, valuable insights and guidance over the last year. On behalf of the Board, we express our gratitude to our Chief Executive Officer Inati Ntshanga and his executive team for their leadership, dedication and resilience. I also thank the employees for their unwavering commitment and contribution in serving our passengers with pride.

The Board will continue its responsibility to improving effectiveness relating to the Company's governance processes, policies and procedures to ensure that a high standard of governance practice is maintained so that the Company may operate effectively and deliver sustainable value.

G. Mothema
Chairperson and Non-Executive Director

Chief Executive Officer's Statement

When reflecting on the 2014/15 financial year, it is with a sense of cautious optimism that we can report that SA Express has shown an improved set of results when compared to the previous financial year.

The 2014/15 financial year was a particularly challenging one for the aviation industry in South Africa. SA Express has had to implement stringent financial austerity measures in order to remain viable and relevant in commercial aviation domestically and within the region.

SA Express has also experienced a change in leadership from the Shareholder's perspective. The Department of Enterprise saw a new appointment at the helm, Minister Lynne Brown, one of whose responsibilities is to lead SA Express into the future as one of the State's aviation assets. Furthermore, in her Budget Vote Speech, the Minister highlighted the plight of the State's aviation assets when she observed that, "The environment in which SAA and SA Express operate domestically and globally has become ever more challenging, with intensified competition, narrow margins and cost pressures due to fuel prices and currency volatility. In this context, their under-capitalised balance sheets severely constrain the airlines, leading to continued losses and affecting the going concern status of the companies." This sentiment is reflected in SA Express's strategy of cost reduction and improving efficiencies in operations and staff, and systems optimisation.

Within the African Continent air travel has continued to play a key role in economic growth, job creation and connecting people. Remote areas have become connected through runways, enabling economic and social development in these far flung areas.

Company Performance

Despite the continuing, challenging, global economic conditions in the airline industry, SA Express managed to realise growth in airline-related revenue in 2014/15 when compared to 2013/14. The growth in revenue is attributable to the increase in average yield as the passenger numbers declined by 3,4%. Although the increase in revenue has been pleasing, this has been negated by the increase in operating costs. This has been attributable to increases in passenger handling, fuel and maintenance costs and so, consequently, the airline has continued to look at opportunities for decreasing costs. The financial position remained weak and this led to the airline reviewing its route network and scaling down the number of routes and destinations served. The airline's financial position clearly indicated that SA Express required an urgent turnaround strategy this was adopted in the previous year and in the 2014/15 financial year the results of the strategy along with implemented Austerity measures are beginning show positive results. The Chief Financial Officer's Report addresses the financial position in more detail.

Route Expansion

The past year has also been one of intense activity with regards to our route and network planning, and saw five unprofitable routes cancelled due to cost-cutting measures. These have been capably implemented by the Austerity Measures team, appointed by my office. Significant savings were realised from landing fees, fuel costs, ground handling fees and other related operational costs. The Company is exploring the feasibility of new routes to Sun City and Mahikeng that could prove profitable in the short- to medium-term. Increasing the route network, while reviewing unprofitable routes, demonstrates that SA Express is committed to making air travel as profitable and widely accessible to as many South Africans as possible by offering value for money fares. Flying should not be restricted to a few South Africans.

Competition

Regardless of thin margins in the industry, new entrants are charging in, attempting to gain market share. Competition is always welcome in the domestic market as it leads to greater options for customers and trade and it therefore essential that SA Express continue being a dynamic and progressive airline to ensure that we continue to protect our market share. SA Express continues to be a feeder airline to SAA, the national carrier and, as both airlines operate within the region, it is

becoming clear that O.R. Tambo International Airport is losing traffic to aggressive hub growth in such places as Nairobi and Addis Ababa. These hubs are also attracting Middle Eastern carriers that divert the feed from SAA. It is important that SA Express continues to pursue its mandate to be 'Regional Carrier of Choice in Africa' by focusing on service, reliability and safety.

Strategic Priorities

As a State Owned Company (SOC), SA Express enters into an annual Shareholder Compact with the Shareholder Oversight Department. The Shareholder Compact, together with the SAX 20/20 Strategy, agreed that the airline will focus on the following strategic priorities:

- To consolidate and cement its business model, which is predominately that of a regional carrier with a strong focus on business travel;
- To be a sustainable, well-managed and profitable regional airline;
- To provide consistent and efficient customer service;
- To foster performance excellence through the development of people, skills and jobs;
- To become a catalyst for key developmental State objectives, including the development of infrastructure, the facilitation of trade and the growth of the tourism industry; and
- To expand the airline's services throughout Africa.

SA Express has delivered against the majority of these priorities during the period under review. The team will continue to pursue cost saving initiatives and ensure that the airline is prudent in all its commercial endeavours.

Corporate Strategy

While celebrating achievements, the Company must also look forward to the next 20 years. SA Express will continue to implement its SAX 20/20 Vision, the Board-approved strategy. This is the Company's road map for consolidation, based on lessons from the last 21 years, and lays the foundation for growth in the next 20 years. Apart from adding new routes and reprioritising existing ones, investment is being made in aircraft. The guiding principles for this exercise include improvements in safety and reliability, deploying a fleet that is cost-effective, efficient and, most importantly, utilising aircraft that are environmentally friendly. This is the start of SA Express's investment for the next 20 years, with emphasis on re-fleeting aircraft frames with low emission and fuel-efficient engines.

Financial Responsibility

Financial stability, through identification of opportunities for revenue growth and cost cutting, continue to be the focus of the business. The cost-cutting initiatives are championed by SA Express Management through overhauling some of the airline's operational costs. In the year under review, the implementation of cost-cutting initiatives was a success. The success of this is due to the SA Express Austerity Measure Team (AMT) for its continued tenacity and hard work. These savings had a positive financial impact as further losses could have been experienced had these cost cutting initiatives not been identified and implemented. Though the business is making the right decisions and heading in the right direction, complacency must be guarded against, as much still needs to be done to ensure that sustainable operational and financial performances are achieved.

Developmental Objectives

As a SOC, SA Express has 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 and so, to realise the goals of the National Development Plan, the Company has focused on skills development to ensure that employees are equipped with the necessary skills to achieve the organisation's goals.

SA Express continues to focus on employee development and training. A great number of employees have undergone training and some of the courses include: Back to Basics, Finance for Non-financial Managers, Performance Management Masterclass and Aviation Fuel Management. Furthermore, within this financial year partnerships have been formed with TETA, the Department of Public Enterprises and the Department of Transport through initiatives such as career exhibitions, aviation awareness and an active drive for South Africans to pursue careers in aviation. It is pleasing that the Mach 1 Cadet Pilot training programme has absorbed 10 young people from previously disadvantaged backgrounds, with eight of them being female.

Responsible Corporate Citizen

This signals strong intent to create aviation awareness among disadvantaged communities in South Africa and address the issue of skills shortages. Hopefully, through diverse initiatives, future pilots and engineers will be identified and inspired to reinforce the strong credentials of SA Express as by far the most transformed airline in South Africa.

In 2015, SA Express celebrates 21 years in aviation with continued commitment to the citizenry of South Africa and the SADC region to provide a sustainable, world-class regional airline with an extensive footprint in Africa, as declared in the Company's Vision. The Company's 20 years in aviation in 2014 coincided with South Africa celebrating 20 years of democracy. Just as the new South Africa inaugurated Madiba as its first democratically elected President, SA Express was born on 24 April 1994, three days before millions of South Africans voted for the first time. The milestone of celebrating 20 years in 2014 provided SA Express with an opportunity to reflect on the progress made as an organisation to fulfil the government's aim of facilitating socio-economic development in South Africa and throughout the rest of Africa.

SA Express has also invested significant resources in Corporate Social Investment (CSI) programmes. The CSI contributions have ranged from exposing rural pupils to aviation and the freedom of the skies. In addition SA Express has also partnered with Sithand'Izingane Care Project and Mehlareng School in the East Rand. The Company's goal is to make a difference in the communities in which it operates, as well as delivering on Shareholder values.

Customer Experience

What continues to act as a differentiator for SA Express is that the Company puts its customers at the centre, providing them with more competitive travel options whilst stimulating market demand. The Company has an inherent ability to grow in areas where it has the real identification that others don't and still remain on track to fulfil the vision of being a sustainable, world-class regional airline with an extensive footprint in Africa.

At 88%, SA Express has one of the highest targets for on-time performance. This target has been achieved and the airline will strive to maintain this level of performance to ensure that customers' experiences are positive.

Corporate Governance

SA Express aims to be a good corporate citizen and maintain the highest standards of integrity and ethics in dealings with stakeholders. The Company will endeavour to ensure that it offers the best possible airline service and is regarded as the airline of choice for travellers within its operating environment. The business is managed and controlled by implementing governance procedures and ensuring that risks are identified and managed effectively.

Looking Ahead

SA Express continues to pursue its dual mandate and is looking forward to being a catalyst for key developmental State objectives. Although the domestic market growth has reached a plateau, caution should be exercised regarding the strength of the domestic market, particularly in light of the relatively weak GDP growth forecasts. Although the aviation industry continues to face obstacles, SA Express remains confident that the recent capital investments have elevated the Company to a new level of efficiency.

Appreciation

On behalf of my Executive team and Management, our sincere appreciation goes to every individual who works and lives the values of SA Express. We thank you for your dedication, despite the airline's continued financial challenges, the commitment demonstrated by all staff continue to present SA Express as a world class airline in terms of service and safety is appreciated. The supportive role of the Department of Public Enterprises and all arms of Government, has enabled us to continuously pursue our developmental mandate. The continued success of the airline would not have been as pronounced without this constructive support. Particular mention is made to our Board of Directors for its oversight and counsel during the year under review. It goes without saying that our greatest appreciation goes to the customers who have continued to fly with us every day. We know that, without you, there would not be a Company and, for that, we humbly thank you.

I. Ntshanga
CEO and Executive Director

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 2015. 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 realise a growth of 1.13% (R29m) in revenue compared to 2014, attributable to the increase in average yield achieved. Average yield increased by 3% year on year, whilst passenger numbers declined by 3% year on year. The average load factor for the year was 61% compared to last year's load factor of 64%.

Operating costs

The airline implemented a range of measures to return the airline to a viable and sustainable business during the year. These measures include the review of several costly maintenance agreements with offshore service providers, reviewing and optimising the operating schedule and exiting loss-making routes. The performance of the airline improved significantly from October 2014, following the implementation of these measures. Fuel costs have decreased based on the decline in oil prices, but these were largely offset by the weakening ZAR/USD exchange rate. Fuel volumes, due to optimised flying, saw fuel costs decrease as a result. SA Express, despite the age of its fleet, manages fuel burn to below industry norms for comparative aircraft types and ranges flown. The airline has successfully appointed new ground handlers at significantly lower rates, and has commenced self handling at ORTIA, with improved service levels as well as lower costs.

Operating profit

Operating profit for 2015 was R14,7m compared to a restated loss R25m in 2014 which represents an improvement of R39,7m.

Finance Costs

The net finance costs increased to R30m compared to R22m in 2014 as a result of higher average borrowings compared to the prior year as well as the increase in rates.

Financial Position

I am pleased to report that during the year the Company embarked on an intensive program to value the rotables and consumable items in inventory which had led to qualifications in the prior years as part of the comprehensive program and initiatives introduced to deal with internal control deficiencies previously reported on.

The result of this program has led to a revision of the carrying values of both consumables and rotables and limited the audit qualification to the opening balances on these assets. As a result of this program the closing balances related to these assets have been audited and are no longer the subject of an audit qualification.

Management believes that the ongoing implementation of this program will ensure that during the 2015-16 year, the Company will achieve an unqualified audit opinion relative to these assets.

The statement of financial position remained weak as the Company ended the year with a cash and cash equivalents of R23,9m when compared with the R73000 in 2014, due to the realisation of the long-term investment held with Standard Bank. The overdraft utilisation at balance sheet date decreased to R0m compared to R96m in 2014. The Company embarked on a process to deal with the issues around the valuation of inventory and rotables which has been an issue since the restatement of the Company's accounts in 2011. The net impact of the verification and valuation amounted to an impairment of R62m in the current year, and write-back of prior year impairments of R149m. The airline is still in a VDP process with the South African Revenue Services relating to overpayments of tax in prior years. The asset had been derecognised in 2014, and once the process has been finalised, could yield a refund of R33,6m, which will be accounted for in the period in which finality is reached.

The impact of the weaker ZAR/USD exchange rate impacted negatively on USD based costs, including network cost and SAP transaction costs. Outstanding creditors have remained consistent, despite the improvement in operating costs, further highlighting the substantial pressure on the Company to address this issue with key suppliers.

The balance sheet indicates that the Company is in need of urgent recapitalisation, by way of permanent equity funding, as the balance sheet cannot bear more debt in order to refleet. Short or long-term debt funding will further hamper the profitability of the Company. The Company has been granted an extension of the working capital and equity covenants guarantees, as well as additional working capital guarantees to ensure the airline meets the requirements of a going concern, as well as addressing its immediate cash flow needs. These guarantees will allow SAX to borrow funds in the open market, and have an amortisation profile of five years. During this time the airline, based on measures introduced, will return to profitability and become a net positive cash contributor.

The outlook for 2015/16 remains flat, with passenger numbers forecast to grow by two percent, and average fare by three percent. Despite the low top line growth, the strategy of flying less frequently with higher load factors will drive costs down and assist in the continuation of the return to profitability in the next financial year.

Mark Shelley
Chief Financial Officer

INTERNAL CONTROL AND RISK MANAGEMENT REPORT

Risk Management

SA Express has identified, assessed and prioritised its risks (defined in ISO 31000 as the effect of uncertainty on objectives), followed by coordinated and economics application of resources to minimise, monitor and control the probability and impact of unfortunate events. This is an enterprise-wide approach to risk management, which means that every identified material risk is included in a structured and systematic process of risk management. SA Express maintains consistency in the application of the risk management processes and methodology. The Risk Policy has been adapted and approved by the Board as the custodian of the overall process of risk management.

It is the responsibility of Management and employees of SA Express for the proper implementation of meaningful and proper risk management policies and processes. Management has developed an Annual Risk Plan, which guides the risk management activities. As part of embedding risk management the business undertakes strategic and operational risk assessments quarterly and annually. All major projects are also subjected to risk assessments on an on-going basis. Progress against the implementation of the Annual Risk Plan, including material risks that are facing SA Express, is reported on a quarterly basis to the Board through the Audit and Risk Committee. The Company is inherently exposed to a variety of financial risks, including market risks, credit risks, capital risks and liquidity risks.

The strategic risks facing SA Express are an indication of a treacherous trading environment and resource constraints including a weak Balance Sheet. Key risks and management of remedial actions are continuously monitored and reviewed by all levels of Management.

A summary of the strategic risks and mitigation measures is set out below:

Corporate Governance

SA Express is committed to maintaining the principles of good corporate governance with the view to guarantee that the business is managed with integrity, fairness, transparency and accountability, as espoused in the King III Report, which will enable the Company to adhere to government guidelines and other pertinent legislative requirements. 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.

An in-house Internal Audit unit has been established to ascertain that there is an adequately resourced and operational internal audit function that identifies internal control deficiencies and recommends corrective action effectively and efficiently.

Internal Controls over Financial Reporting

SA Express has drafted a Strategic Deliverable – Internal Controls Plan that was submitted to the Department of Enterprises as part of the Shareholder Compact commitment. Furthermore, implementation of initiatives has been embarked upon and the review of the plan will be undertaken continuously.

The Internal Financial Control (IFC) checklist has been developed by the Audit and Risk Committee; this will be 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 give Finance Management an indication of the level of internal control compliance. 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. SA Express 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. This is capably supported by the review and monitoring of compliance with applicable laws and regulations, and complementary Information Technology design and implementation of formal controls through IT systems ensures reliability of systems, accuracy and protection of quality and sensitive information.

Risk Management

Key risks and Management of remedial actions are continuously monitored and reviewed by all levels of Management. 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 measures of strengthening the Company's financial position.

a. Debt Funding

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

The Company carries substantial debt that needs to be repaid. The ability to finance ongoing operations 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 In addition, the Company continually monitors its cash position and further undertakes long-term planning of its capital requirements.

b. Currency Fluctuations

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

c. Safety of Passengers and Employees

From a Safety and Security Oversight perspective, a Safety, Security, Health, Environmental and Quality (SSH EQ) Board Sub-Committee has been established.

d. Aircraft Safety

Maintenance of the aircraft fleet is regulated by the South African Civil Aviation Authority (SACAA) and additionally audited by the European Aviation Safety Authority. Further, in order to strengthen its safety systems SA Express has implemented the following:

- **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 approach of SA Express 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. SA Express has participated in the IOSA programme since 2006 and

has successfully undergone unqualified audits. 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.

- **Safety Management System (SMS)**

  The IOSA is an internationally recognised and accepted evaluation system designed to assess the operational management and control systems of an airline. The approach of SA Express 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. SA Express has participated in the IOSA programme since 2006 and has successfully undergone unqualified audits.

- **Brand Reputation**

  SA Express strives to achieve positive brand reputation within the industry and in the eyes of our customers. Erosion of a brand may adversely impact the position of SA Express with its customers and could ultimately affect future revenue and profitability. The Executive Management team regularly monitors customer satisfaction through surveys as well as ongoing improvements in SA Express's product offering in order to mitigate this risk. SA Express allocates substantial resources to safety, security: on-board product and focus on world-class customer service. A revised communication manual and the customer service manual will be implemented in this financial year.

Competition

There had been a plethora of new entrants within the airline industry recently, both domestically and regionally. 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. These entrants are expected to increase the competition in the South African airline industry.

Information Systems Security and General Risk

To counter possible threats and manage the SA Express 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, with no small part from the assistance by SAA, with whom we share the same Shareholder. IT governance measures have been put in place in accordance with the requirements of King III Report on Corporate Governance.

General and Application Controls

For executive oversight SA Express has officially appointed a Chief Financial Officer. No security breaches occurred during the period under review. SA Express IT department worked closely with service providers to achieve full efficiency on the Company's networks and customer-facing systems. The IT department is under the auspices of Finance Department.

Landing Fees and Security Charges

Airport taxes, landing fees and security charges represent a significant operating cost to SA Express and have a significant impact on operations. Whilst some of these charges are invariably passed on to passengers by way of surcharges and taxes, others are not. SA Express regularly engages with various industry bodies and government in an attempt to keep these costs under control. These charges have been high and have affected profitability.

Employee Relations

A sizeable number of SA Express employees are members of trade unions and other industrial employee representatives. SA Express enjoys a non-confrontational, cordial 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 and industrial relations.

Key Supplier Risk

SA Express is dependent on suppliers for some principal business processes, particularly SAA with regards to systems and processes. The failure of a key supplier to deliver on contractual obligations may cause significant disruption to operations. A close relationship is maintained with key suppliers in order to ensure awareness of any potential supply chain disruption. SA Express further continually monitors its key suppliers through implementing and monitoring service level agreement and constant engagement and ensuring that corrective action is taken on any non-adherences to ensure improvement of services for our customers.

Fraud Prevention and Compliance

SA Express has a Fraud Prevention Policy in place. This is supported by internal controls that prevent fraud and theft. Furthermore, 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 in order that corrective action may be undertaken. The independence and sanctity of 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 regards to compliance, SA Express continues to strengthen its internal processes as well as the monitoring of compliance 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 ("B-BBEE") 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. In the year under review SA Express sustained its B-BBEE score of Level 5. As an airline we continue to promote economic participation for the previously disadvantaged population through driving the following pillars based on the Aviation Sector Codes:

- Management Control;
- Employment Equity;
- Skills Development;
- Preferential Procurement;
- Enterprise Development; and
- Socio - Economic Development.

Our B-BBEE strategy ensures that SA Express remains an integral part of the political, social and economic community in South Africa, as a State Owned Company and corporate citizen, to meet its developmental objectives. The airline is committed to facilitate economic transformation through leveraging its procurement spend, in support of the Shareholder Department of Public Enterprises' Competitive Supplier Development Programme which promotes industrialisation and localisation. Additionally, the Cadet Pilot 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; and
- Socio - Economic Development.

Skills Shortages

SA Express has done very well in recruiting and retaining skilled employees from previously disadvantaged communities. The training, employment and retention of skilled staff, with particular reference to pilots, remain 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 defined period of time to derive the benefit of having trained them.

Environmental Impacts, Industry Emissions and Waste Management

The aviation industry is often impacted and is vulnerable to policies and proposals that relate to climate change and emissions. In the year under review the carbon-emission tax has been debated at large. 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, a huge reduction in emissions by 2050 places enormous pressure on SA Express to abide by and be an industry leader in this area. The industry aims to achieve substantial reduction. SA Express 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, SA Express 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.

SA Express
Welcomes You

SUSTAINABILITY

Sustainability Report 2014/15

Sustainability Performance

The Sustainability Report illustrates a year-on-year comparison of performance of SA Express appropriately selected indicators. The movement column depicts either an improvement or decrease in performance as appropriate.

Performance Dimension

	2014/15	2013/14
FINANCIAL AND ECONOMIC PERFORMANCE		
Revenue (Rands)	R2.59bn	R2.56bn
Operating Profit Margin	1%	(1%)
Year-end net cash (Rands)	23.9m	-96m
Value-added to Employees (Rands)	550.4 m	528.3 m
Value-added to providers of finance (Rands)	22.1 m	24.7 m
Cargo as a %age of Turnover	0.62%	0.78%
Aircraft utilisation (average hours per day)	7:35	7:47
OTP (within 15 min of scheduled departure)	88%	88%
Passengers transported	1,451m	1,496m
Passenger Revenue (Rands)	2,596bn	2,56bn
Average Revenue per passenger (Rands)	1,789	1,711
Passenger Load Factors	61%	64%
SOCIAL SAFETY		
Fatalities	0	0
Number of Serious incidents	16	13
HEALTH		
Employees medically surveyed	463	401
Noise-induced hearing loss	0	0
EMPLOYEES		
Total Employees	1127	1188
Expenditure on employee training (Rands)	29.4 m	40.3 m
% Black employees attending leadership development programme	74%	76%
% Female employees attending leadership development programme	52%	71%
TRANSFORMATION AND B-BBEE		
B-BBEE Rating	Level 5	Level 6
% Black employees	68%	64%
% Female employees	38%	36%
% Black employees in Management	50%	28%
% Female employees in Management	26%	16%
COMMUNITY		
Corporate Social Responsibility expenditure (Rands)	1.50 m	3.56 m
ENVIRONMENT		
Carbon Footprint (Scope 1 and 2) Tons CO2e	183.96	186.64
Carbon Efficiency (emmissions in grams / passenger kilometre)	165.5	167.2
ISO 9001 Implementation	In progress	In progress

Key Environment Sustainability

Debt Funding

SA Express is exposed to a variety of financial risks including those of market, credit, capital and liquidity risks. The Board approves prudent financial policies and delegates certain responsibilities to Executive Management that directly controls day-to-day financial operations and operates within clearly defined parameters.

The Company carries substantial debt that needs to be serviced and the ability to finance ongoing operations, committed aircraft leases and future fleet growth plans is vulnerable to various factors, including institutions' appetite for secured aircraft financing. SA Express plans to maintain substantial cash reserves and committed financing facilities to mitigate the risk of short-term cash flow shortfalls. In addition, the cash position is continually monitored and long-term planning of capital requirements is undertaken.

Currency and Exchange Rate Fluctuations

SA Express reports in South African Rands (ZAR), an exchange rate that fluctuates considerably. A significant portion of the Company's costs are incurred in foreign currencies, mainly the United States dollar. The movement of exchange rates has either a positive or negative impact on the income, expenses and profitability of the Company. Consequently, unrealised and realised currency gains or losses may distort the financial accounts. SA Express does not have a policy in place to govern the hedging of currency exposure; the business will continue to monitor and re-evaluate this continually, especially the impact it has on the business.

Oil Price Fluctuations

As with foreign currencies, SA Express incurs substantial costs with regard to the purchase of fuel for its aircraft. The business is exposed to fluctuations in fuel price and, as a result, this is continually monitored. The Company does not have a policy to hedge a portion of its fuel requirements, which is a prudent approach that the Company has adopted as fuel hedging contains a substantial element of risk.

Competition

The domestic and regional market in which the airline operates is highly competitive. Direct competition is faced on existing routes from other airlines and also from other modes of transport such as road and rail. In addition, competitor capacity growth in excess of demand growth could materially impact the airline's margins. Fare discounting by competitors has historically and currently had a negative effect on the airline being able to maintain passenger volumes and market share. In its favour, SA Express has a strong market position in secondary markets and an effective alliance with South African Airways (SAA). Closer collaboration between SAA and Mango will build a diverse customer base to address the risk of domestic and regional competition.

Safety of Passengers and Employees

A multitude of processes and structures is in place to monitor and report on aviation safety, quality and security for the airline and its operating environment. SA Express maintains an International Air Transport Association (IATA) membership registration through IATA Operational Safety Audit (IOSA) compliance, thereby ensuring the implementation of global best practice in managing its operational safety. The Company is also audited by the South African Civil Aviation Authority (SACAA).

1994 1995 1996 1997 200

Legislation and Regulation

Regulation of the airline industry is comprehensive and covers many activities such as safety, security, traffic rights, slot control access and environmental controls. In order to comply with the multiplicity of legislation and regulations, SA Express has a comprehensive stakeholder relations programme to ensure that proactive and effective working relationships are maintained with government departments, Airports Company South Africa, the SACAA and other regulatory and industry bodies. Notwithstanding this, bilateral treaties governing route rights within the African continent have had a major impact on the airline's ability to expand its operations into the African region.

Landing & Parking Fees and Security Charges

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

Employee Relations

A high percentage of the airline's employees are members of trade unions. SA Express strives to maintain good working relationships with the various unions with which recognition agreements are in place and also enters into substantive annual negotiations. The airline also has a strike action policy in place. Staffing levels continue to be monitored and measured against industry benchmarks to ensure that the staff complement is motivated to improve operational efficiency.

Critical Skills Shortages

The training, employment and retention of skilled staff, particularly with reference to pilots and aeronautical technicians, remain a major challenge. SA Express is an incubator for training for the industry and remains at the forefront regarding people from previously disadvantaged sectors who receive training and employment opportunities. The airline has addressed this challenge through its successful cadet pilot training programme, the technicians' apprentice training programme and through partnering with various government departments and industry bodies that also help with funding programmes.

Climate Change

The aviation industry is extremely vulnerable to climate change policies, especially where these involve 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 a significant reduction in emissions by 2050, places enormous pressure on the airline to abide by, and be an industry leader in, this area. The airline 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 industries in general. In response to these pressures, SA Express has embarked on a number of initiatives to reduce its environmental impact, including the introduction of more fuel-efficient and quieter aircraft in the future, as well as continuously measuring and managing its emissions and waste management processes.

Key Developments in 2014/15

Climate Change Framework

The Company has submitted its climate change plan to the Department of Public Enterprise, which is in line with the Climate Change Framework. In the plan, SA Express has committed to a greenhouse gas (GHG) emission reduction of 34 per cent by 2020. Thus far, SA Express has managed to reduce GHG emission by 15,5 %.

Fuel Reporting and Emissions Data (FRED)

IATA has implemented compulsory fuel reporting and, consequently, SA Express will implement a Fuel Reporting and Emissions Data programme that will assist SA Express in optimising fuel efficiency. The emissions reporting framework will be in accordance with international best practice and SA Express will be able to benchmark itself against all other IATA members in terms of fuel usage and management. The Company's environmental goals are: zero waste to land fill, improving carbon efficiency by five per cent per annum in terms of CO2 emissions per passenger kilometre and zero growth in emissions post 2020, i.e. carbon neutral.

Austerity Measures

Since its initial commitments, SA Express has identified 16 major initiatives that are expected to yield 80 per cent of the required savings over this financial year. The total expected savings on these initiatives amount to approximately R245 million. The following are the top three initiatives in terms of contribution and priority:

- SA Express schedule optimisation
- Passenger and ground handling services
- Technical and aircraft services contracts.

Environment

SA Express is committed to minimising the impact of its operations on the environment. This is done through improved operational efficiencies across the operation, in particular within the Technical and Flight Operations business units. The use of the latest technologies, sustainable procurement practices and an effective waste management programme through reducing, re-using, recycling and responsible disposal all contribute to achieving ambitious targets.

2015

The major environmental risks impacting SA Expresses 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 implemented to mitigate the above-mentioned risks, and these include amending waste disposal contracts with service providers to include disposal of bio-hazardous materials and responsible disposal of oil and fuel from spillage events.

SA Express supports the United Nations Climate Change Conference (COP 19) resolution on climate change by supporting initiatives assigned by the SA Government to the State Owned Companies.

Safety and Security Oversight

Safety and Security is high on the agenda of SA Express, and the objective is to always ensure that stakeholders, as well as their possessions entrusted to the Company, are safe and secure at all times. To this end, continual adherence is applied to the compliance standards set by various regulatory bodies, including the SACAA. During the year under review, the Company was audited by the SACAA, both from safety and security aspects, and there were no major findings. A small number of improvement recommendations were made and these have all been implemented. Several ad hoc audits were undertaken without adverse findings. SA Express is proud that these results will provide peace of mind for our customers in the Company's safety and security measures and history.

Risk

The year under review was certainly not without its challenges and it is noteworthy that the Company's resilience was tested and not found wanting. SA Express continues to manage risk exposures to either minimise or eliminate them.

Key risks and management remedial actions

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

Environmental risks and applicability fall into the following segments:

- Oil and fuel spillage
- Technical environments
- Noise pollution
- Air pollution
- Waste management
- Hazardous material handling (Operations and Technical)
- Climate Change.

Internal Control and Risk Management Report

SA Express has adopted an enterprise-wide approach to risk management that means that every identified material risk is included in a structured and systematic process of risk management. The Company maintains consistency in the application of risk management processes and methodology and the Risk Policy has been approved by the Board as the custodian of the overall process of risk management.

The responsibility for the implementation of risk management policies and processes rests with management and staff. Management has developed an Annual Risk Plan, which guides the risk management activities. As part of embedding risk management, the business undertakes strategic and operational risk assessments quarterly and annually. All major projects are also subjected to risk assessments on an on-going basis. Progress against the implementation of the Annual Risk Plan, including material risks that are facing SA Express, is reported on a quarterly basis to the Board through the Audit and Risk Committee.

The strategic risks facing SA Express are an indication of a tough trading environment and resource constraints, including a weak balance sheet. Key risks and management of remedial actions are continuously monitored and reviewed by all levels of management.

A summary of the strategic risks and mitigation measures are set out below:

Safety and Security Incident

The safety and security of customers and employees are fundamental values for SA Express and failure to prevent or adequately respond to a major safety or security incident would adversely impact operations and financial performance. In order to strengthen safety management systems, the Company has implemented the IATA Operational Safety Audit (IOSA).

Aviation safety is of paramount importance to SA Express and the adoption the IOSA evaluation system is a clear indication of this priority. The IOSA system is internationally recognised and accepted, designed to assess the operational management and safety control systems of an airline. SA Express benchmarks itself against the IOSA audit structure of flight, ground, cabin maintenance, security and dispatch and has been able to achieve unqualified audits since 2006: a commendable achievement. For the first time, in the year under review, SA Express implemented Enhanced-IOSA, a system that permits an airline to test itself against a more in-depth view of control systems, allowing a more robust safety analysis.

Brand reputation

The SA Express brand is of significant commercial value. Erosion of the brand, through either a single event or series of events, could adversely impact the Company's standing and reputation with customers, ultimately affecting future revenue and profitability.

Key Supplier Risk

The failure of a key supplier to deliver contractual obligations may cause significant disruption to operations. A close stakeholder relationship is maintained with key suppliers to ensure awareness of any potential supply chain disruption. The Company further monitors its key suppliers through implementing and managing service level agreements (SLAs) through ongoing engagement. Corrective action is taken against identification of non-adherence to SLAs to ensure that customers receive the level of service that meets and exceeds their expectations.

Fraud prevention

The Company has a Fraud Prevention policy that is supported by internal controls that prevent unethical behaviour, fraud and theft. 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 unethical and fraudulent activities. All matters reported independently and anonymously to the service provider are reported to the Board, or senior management, for action. The independence and anonymity with which the matters are handled has proved effective in promoting enhanced 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.

Legal Compliance

Amongst other legislation and regulations, SA Express complies with the South African Express Act 34 of 2007, the Public Finance Management Act 1 of 1999 and the National Treasury Regulations that provide for the Company's mandate and the regulation of financial management in all spheres of governance to ensure that the Company's revenue, expenditure, assets and liabilities are managed efficiently and effectively.

SA Express has reviewed its compliance function, resulting in the development and approval of a Regulatory Universe.

Furthermore, the monitoring of the Company through applicable legislation and updates to legislative changes is applicable and ongoing.

1. "We never compromise on safety, no matter what" is the core value that has been maintained throughout the financial period. There were various business challenges, however safety remained the Company's core focus as it can be seen that the airline survived this period without any accident.
2. There were serious incidents, however the safety of passengers remained intact and the airline continues to improve its safety position by addressing human factors related incidents, in a manner that will foster a positive safety culture.
3. The Organisation continues to comply with various safety regulations and successful external safety Audits is an indication that the safety standards are still held at the highest echelon.

Environment and Sustainability

1. The SA Express Carbon footprint is 183 071 Tonnes CO2 for this period compared to 196 308 Tonnes the previous year, this is 6,7% reduction. This is attributed to schedule reduction to ensure efficiency in operations and minute contribution of the single Engine taxi program.
2. There is still however challenges in achieving the year 2020 target of 34% Carbon Emission reduction, these include a delay in the implementation of alternative fuels programme for State Owned companies.
3. SA Express has successfully submitted its first report to IATA Fuel and Reporting Database. The data submitted will be extensively used for benchmarking and also improve carbon management reporting. As the much anticipated Carbon Tax approaches its implementation date, SA Express is continuously working on strategies to minimise carbon emissions and also implement carbon offset programmes.

SUSTAINABILITY REPORT

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.

Our focus was to consolidate the Company's employee value proposition to ensure robust employee engagement practices continued concentration on the following:

Growing the 'best Company to work for' brand

SA Express continued to invest in initiatives that contribute towards ensuring that we remain on the path to be labelled the 'best Company to work for'.

Development of competent transformational leaders to lead and manage change

In the financial year 2014/15, a lot of focus was put on ensuring that all employees have a basic and common understanding of the principles of Performance Management. In order to ensure that all employees are fit and ready to hold leadership positions as and when the need arises, Performance Management training was rolled out throughout the organisation.

SA Express rounded up the Supervisory Skills Programme (SSP) in the financial year 2014/15. nine employees from different Departments attended the training. These employees have been identified for the SA Express Talent pipeline and are being prepared to fill in the next level of leadership as part of the Company's succession plan.

35 employees have attended the mentorship training programme. They have volunteered to be part of the SA Mentorship programme in which all employees that are in positions deemed to be critical and scarce, such as learners, cadets, interns and other junior staff members can be mentored.

Focus on growing Talent

We realized the importance of aligning our human capital strategy to the developmental objectives of the Reconstruction and Development Program, while seeking consistency with the imperatives of the New Growth Path and the National Development Plan. To this end, SA Express has been actively involved in providing our South African youth in our critical operational with training and workplace exposure. We currently have 43 Apprentices in the system and have managed to take on two more Apprentices for the year 2014/15. Seven Cadet pilots were also enrolled and are currently receiving training. In 2013/14 South African Express received a discretionary grant from The Transport Education and Training Authority to finance 10 Mach II cadets for a B Com in Aviation, as well as 10 unemployed learners on Air Transportation and Station Management training.
SA Express is to continuously seek innovative partnerships that will lower the cost of training and development whilst ensuring the airline maintains its leading position as a training hub.

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Labour Relations

Bargaining Unit Statistics

Bargaining Units Statistics: All Bargaining Units

The graph and table below depict the union membership in the Company as a whole. From the pie chat below it is evident that the Company does not have a union that represents the majority in terms of the 50% + 1 as indicated by the Labour Relations Act. This all in terms of the percentage split that 29% of the employees are still not union members with Management excluded.

Employee Wellbeing

Aspiring to become the 'best Company to work for' also entails promoting the wellbeing of our employees as well as taking a caring stance towards our employees. Through an integrated Employee Assistance Programme, 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 2014/15, a total of nine (9) wellness days took place in all the stations. Health related challenges such as lack of exercise, unhealthy eating habits and hypertension were identified. Interventions on helping employees to look after their health have been planned and will be rolled out in 2016. Employees also volunteered to participate in Voluntary HIV/AIDS Counselling and Testing.

Staff also participated in initiatives which are aimed at raising funds for charity geared at improving the lives of people less privileged in our communities. To this end, staff participated in the National Bandana day, aimed toward recruitment and education of young donors for bone marrow and stem cells for leukaemia patients. Employees raised an amount of R3 535.57 for the Cancer SHAVATON drive.

1994 1995 1996 1997 1998 1999

Employment Profile

The staff compliment during the reporting period of 31 March 2015 was 1127 as compared to 1188 in March 2014. SA Express has implemented a moratorium on recruitment; hence the staff compliment has reduced from the previous year. Tables and figures below provide the demographic details.

Division	Female				Female Total	Male				Male Total	Grand Total
	African	Coloured	Indian	White		African	Coloured	Indian	White		
Top Mngt	2				**2**	3	1		1	**5**	**7**
Snr Mngt	19				**19**	8			5	**14**	**33**
Middle Mngt	7			7	**15**	24	5	2	16	**46**	**60**
Pilots	4	1		18	**23**	12	3	5	171	**191**	**214**
Cabin	97	27	9	19	**152**	12	5		5	**22**	**174**
Technical	14		2	3	**19**	107	15	2	64	**191**	**210**
Staff	113	13	6	17	**149**	155	17	3	16	**191**	**340**
Apprentice	21		1		**22**	18	2	3		**23**	**45**
Cadet Mach 1	3	1	1		**5**	4				**4**	**9**
Cadet Mach 2	7		1	1	**9**	12		3		**15**	**24**
Learners	6				**6**	5				**5**	**11**
Grand Total	**293**	**44**	**20**	**64**	**421**	**360**	**48**	**18**	**280**	**706**	**1127**

FEMALE 38%

MALE 62%

AFRICAN 57%

WHITE 31%

COLOURED 8%

INDIAN 4%

Pilot transformation still remains a concern for the Company and the industry at large. The SA Express cadet pilot programme is designed to address the equity challenges. We have a total of nine people with disabilities in our employ. Industry target is 2% and we are at 0.08%.

Broad-Based Black Economic Empowerment

This year, the Company achieved a level 5 Broad-Based Economic Empowerment (BBBEE) rating; this is an improvement from a Level 6 in 2013/14. We are confident that beyond this cycle, the transformation agenda, will be driven through a strategy which cuts across the value chain in order to ensure sustainable economic transformation within the aviation industry and provinces of operation.

As a State Owned Company and Corporate Citizen; SA Express strived to balance between driving the transformation agenda mandate whilst enabling the performance needs of the business. Skills Development, Preferential Procurement and Enterprise Development initiatives continue to be escalating costs and the limited number of BBBEE suppliers of critical procurement.

The following diagnostic exists per pillar:

Management Control

Significant advancement in Board rotation resulted in 100% Black Board members of the seven Non-Executive Directors, three are black women with aviation and financial expertise

Employment Equity

Challenges continue to be 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 B-BBEE codes of good practice 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 B-BBEE.

Corporate Social Responsibility

Community upliftment, social development and cohesion are strategic imperatives that inform the SA Express mission towards improving the quality of life of South Africa's most vulnerable segments of society. Fulfilling social responsibilities is considered and integral component of the way SA Express conducts its business.
Over the years SA Express has strived to be a responsible and caring corporate citizen, pursuing key strategic projects that have enabled the airline to make meaningful contributions towards improving the quality of life of disadvantaged South Africans.

Empowerment of women, youth development, education and training are critical subsets of these categories. The involvement of SA Express staff in CSI projects is a critical element of the Company's strategic focus.

SA Express is looking forward to evolving our socio-economic interests to increase and broaden not only our impact, but the spectrum of our beneficiaries.

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, motivate, identify and support future pilots who will ensure that we continue to be the leader in the transformation of critical scarce skills.

Socio-Economic Development

As part of our contribution to improving the lives of South African communities, we have identified strategic socio-economic development initiatives that are worthy of support as part of our social and transformation agenda.
Emphasis was placed on promoting social inclusion and integration through education and youth empowerment. This included interventions that are aimed at improving the quality of life of South Africa's most vulnerable societal segments, with the focus on women, children and youth.

CORPORATE GOVERNANCE

Corporate Governance Report

Introduction

SA Express 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 last Annual General Meeting took place on 27 March 2015.

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 22 May 2015, comprises a majority of Non-Executive Directors. 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

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 is in the process of being 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 advised on 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 were 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 organisation to ensure that it is capable of fulfilling its commercial objectives and statutory obligations;
- Fulfilment 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;and
- Consideration and approval of the Annual Financial Statements and Dividend Policy.

Board Meetings

The Board met regularly during the period under review 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 Memorandum of Incorporation (MOI), where necessary. Some of these were distributed as written resolutions on a round robin basis, as provided for in the MOI. Such matters were deliberated by the Board prior to circulation of the respective written resolutions 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 are 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 MEETING ATTENDANCE 1 APRIL 2014 - 31 MARCH 2015								
Board	13/05/14	02/06/14	09/06/14 Telecom	13/08/14	12/11/14	19/01/15	23/02/15	18/03/15
A. Mabizela	√	√	√	√	√	√	X	X
B. Dibate	X	√	√	√	√	X	√	√
N. Gxumisa	√	√	√	√	√	√	√	√
E. Mabyana	√	X	√	√	√	√	√	√
N. Moshimane	√	√	X	√	√	X	X	X
G. Mothema	X	X	√	√	X	X	√	√
K Nondumo	X	√	√	√	√	√	√	√
B Ssamula	√	√	√	X	√	√	√	√
I. Ntshanga CEO	√	√	√	√	√	√	√	√

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 declarations of interest 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 were reconstituted on 22 May 2015 and continue to meet independently of the Board and are all chaired by Non-Executive Directors. The majority of the members of these Committees are Non-Executive Directors. These Committees were also assisted by the Company Secretary in the performance of their duties.

These Committees are:

Audit & Risk Committee:

Ms. K. Nondumo Chairperson

Ms. N. Moshimane Non-Executive Director

Dr. B. Ssamula Non-Executive Director

Mr. G Mothema Non-Executive Director

Register of Meetings and Attendance

AUDIT AND RISK COMMITTEE MEETING ATTENDANCE 1 APRIL 2014 - 31 MARCH 2015				
AUDIT AND RISK	06/05/14	04/11/2014	18/08/14	23/03/15
K. Nondumo	√	√	√	√
N. Moshimane	X	X	√	X
B. Ssamula	√	√	√	X
G. Mothema	√	√	√	√

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

Mr. S. Struwig Auditor General of South Sfrica (External audit service)

Mr. I. Ntshanga Chief Executive officer

Mr. M.Shelley Chief financial officer

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

Ms.N.Gxumisa Non-Executive Director

REMUNERATION COMMITTEE ATTENDANCE 1 APRIL 2014 - 31 MARCH 2015			
DIRECTOR	08/05/14	09/07/14	15/10/14
B. Dibate	√	√	√
G. Mothema	√	√	√
E Mabyana	√	X	X
N Gxumisa	√	√	√
B Ssamula	√	√	√

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

SAFETY, SECURITY, HEALTH, ENVIRONMENT AND QUALITY COMMITTEE MEETING ATTENDANCE 1 APRIL 2014 - 31 MARCH 2015			
DIRECTOR	08/05/14	09/07/14	15/10/14
B. Ssamula	√	√	X
B. Dibate	√	√	√
N. Gxumisa	X	√	√

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

Mr. I. Ntshanga Chief Executive Officer

Mr. P. Mashaba GM: Technical

Social and Ethics Committee:

Comprising:

Ms. N. Gxumisa Chairperson

Mr. E. Mabyana Non-Executive Director

Mr. G. Mothema Non-Executive Director

Ms. B. Dibate Non-Executive Director

SOCIAL AND ETHICS COMMITTEE MEETING ATTENDANCE 1 APRIL 2014 - 31 MARCH 2015			
DIRECTOR	08/05/14	09/07/15	**15/10/14**
N. Gxumisa	√	√	√
B. Dibate	√	√	√
G. Mothema	√	√	X
E. Mabyana	√	X	X

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

Audit & Risk Committee

As stated above, the Audit and Risk Committee for the period under review comprised three Non-Executive Directors all of whom possessed the necessary degree of financial knowledge, skill and insight.

The Committee was reconstructed with effect from 22 May 2015 and now comprises four Non-Executive Directors.
The ARC is able to undertake the requisite review of accurate financial reporting and statements in compliance with the Companies Act, International Financial Reporting Standards (IFRS) as well as other applicable legislative requirements and accounting standards. In addition the ARC serves 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.

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 Auditor's strategy;
- 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 budget of the Company for the Financial Year ending 2015/16

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.

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 ARC 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 (PFMA) by Minister of Finance.

The ARC 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.

Ms G Sibiya
Chairperson of the Audit and Risk Committee

Human Resources and Remuneration Committee

For the period under review the Committee comprised of four Non-Executive Directors responsible for the overall competitive remuneration policies and determines on behalf of the Board, the remuneration of Directors. The Committee was reconstructed with effect from 22 May 2015 and now comprises three Non-Executive Directors with these same duties.

The Committee 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 operates with clear terms of reference and applies the SOE's remuneration guidelines developed by the Department of Public Enterprises.

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 remuneration policies are aligned to the strategic objectives of the business. The Committee believes that the 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 remuneration was approved by the Shareholder at the Annual General Meeting held on 27 March 2015. The Remuneration Policy will be reviewed in line with the SOE remuneration guidelines as provided by the Department of Public Enterprises.

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.

Remuneration of Non-Executive Directors

Name	Total FY2014	Total FY2015	
B Ssamula	347 615	342 688	Rotated April 2015
A Mabizela	702 912	624 811	Rotated April 2015
K Nondumo	276 590	262 312	Rotated April 2015
B Dibate	262 312	326 545	
N Moshimane	221 198	178 188	Rotated April 2015
N Gxumisa	276 590	326 545	Rotated April 2015
P Mabyana	250 084	250 084	Resigned 29 June 2015
G Mothema	250 084	250 084	

Remuneration of Executive Management

Name	Total 2014 FY	Total 20145 FY	Notes
I Ntshanga CEO	2 417 976	2 417 976	
M Shelley	-	246 125	Appointed 01 February 2015
Z Ngwenya CFO	1 783 000	1 011 510	Terminated 31 March 2014
D Allanby	1 776 158	1 776 158	
W Hermanus	1 521 269	1 935 048	
K Nkala	1 161 756	1 161 756	
M Mochoele	1 250 000	1 250 000	
P Mashaba	1 680 000	1 680 000	
B van Wyk	1 361 038	1 361 038	

Rajesh Naithani

Dr R Naithani

Chairperson of the Human Resources and Remuneration Committee

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Safety, Security, Health, Environment and Quality Committee

For the period under review the Committee comprised of two Non-Executive Directors. The committee was reconstructed with effect from 22 May 2015 and now comprises three Non-Executive Directors. 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; and
- 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; and
- 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 Committee meetings this year focused on proper implementation of processes to ensure improvement in the quality of maintenance and reduction of incidents. Furthermore, the carbon mitigation strategy was developed and approved, which 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.

Mr T Abrahams

Chairperson Safety, Security, Health, Environment and Quality Committee

Social and Ethics Committee

The Social and Ethics 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 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 ommitted to the new growth path. We are also committed to engaging in collaborative projects that advance the broader development goals of the United Nations, in particular the millennium development goals. The organisation has committed to supporting public accountability and transparency as well as submitting an annual Communication On Progress (COP) to the United Nations, describing the Company's efforts to implement the 10 principles.

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. 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 placed more emphasis on the review of the Company's Code of Ethics to ensure that it is in line with National legislation, as well as ensure that the employees of the Company are well informed of the Code.Furthermore, the Committee monitored the Company's involvement in Corporate Social Investment (CSI) projects, aimed at bettering the lives of others. 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.

Ms B Dibate
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 2015 and that to the best of my knowledge and belief, all such returns are true, correct and up to date.

The Company Secretary Statucor (PTY) LTD Crisna Erasmus

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 2014/15, which included the following:

SAX Shareholder's Compact - April 2014

Annexure A: Strategic Deliverables

Key Performance Area	Description of deliverables	Delivery timetables	Progress Tracker
SA Express Sustainability Framework	Economic dividends	30-Sept-14	Achieved
	Social dividends	30-Sept-14	Achieved
	Environmental dividends	30-Sept-14	Achieved
Cost Containment	Provide an approved comprehensive plan for cost containment for the 2014/15 financial year	31-May-14	Achieved
SAX 20/20 Vision	Provide a comprehensive implementation plan for the SAX 20/20 vision (in consideration with the LTTS)	Quarterly Report	Achieved
Africa Regional Expansion	Provide an update on the implementation of the MRO Strategy	Quarterly Report	Achieved
	Provide an update on the intra-Africa connectivity and expansion	Quarterly Report	Achieved
Policy and regulation	On-going compliance with competition policy and Act and Air Transport regulations	Quarterly	Achieved
	Full co-operation with the Department to finalise joint position on whole of state policy: · Input for the development of the Fly SA Policy	30-Sep-14	Achieved
	· Report on the review of current Air Transport Policies	30-Sep-14	Achieved
	Regulatory and Compliance Framework	Ongoing	Achieved
Research and Development Excellence	Submission of Research & Development Plan	31-May-14	Not Achieved
	Implementation Plan	Quarterly Report	Not Achieved
Internal Controls	Review internal control processes onerous labour agreements	31-May-14	Achieved
	Report on internal control processes	Quarterly Report	Achieved
Contract management	Review of Rebate Policy and recommendation for the improvement current processes	Quarterly Report	Achieved
	Report the progress on addressing the following:		
	· Onerous labour agreements	Quarterly Report	Achieved
	Service level agreements of suppliers to ensure service integrity and cost competitiveness	Quarterly Report	Achieved
	· SAX and SAA existing commercial agreements	Quarterly Report	Achieved

Annexure B: Operational Performance

ANNEXURE B: STRATEGIC DELIVERABLES					
Key Performance Area	Key Performance Indicator	Unit of Measure	2014/15 Target	YTD Mar'15 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	1.2	1	Achieved
	CASK (total operating expenses + leases + depreciation)	Cents	0.94	1	Not Achieved
	CASK (excluding fuel costs)	Cents	0.82	1	Not Achieved
	Net Profit/(loss) After Tax	R'm	18	-112	Not Achieved
	Net Cash Position	R'm	Neutral	25	Achieved
	EBITDA	%	4%	0.80%	Not Achieved
	Debt/Equity ratio	Ratio	4:6:1	12:18:1	Not Achieved
	Cargo 1% of total revenue	%	1%	1%	Achieved
To improve Operational Efficiencies as follows and execute in a flawless manner					
Improve Operational Efficiencies	Passenger Load Factor	%	71%	61%	Not Achieved
	Daily Block Hours per Aircraft (weekdays)	hours	8	6	Not Achieved
	Revenue per employee	R'm	2.2	2.4	Achieved
To deliver customer service in a consistent manner					
Customer Centricity	On-time Performance (within 15 minutes of scheduled departure time)	%	90%	88%	Not Achieved
	Bags mishandled per 10000 pax	number	3.8	0.08	Achieved

ANNEXURE C: SOCIAL IMPACT					
Key Performance Area	Key Performance Indicator	Unit of Measure	2014/15 Target	YTD Mar'15 Actual	
Developmental Objectives	Improve Human Capital transformation on the following programmes and ensure skills development objectives are met as follows				
	Learners Intake		Target Number of new entrants in FY2015		
	Artisan trainees	Number	10	2	Not Achieved
	Cadet Pilot Trainees	Number	20	7	Not Achieved
	Semi-Skilled and Skilled Workers Learner-ships	Number	21	0	Not Achieved
	Experiential Learners/Graduate Trainees	Number	10	0	Not Achieved
	Training spend as a % of leviable amount	%	5%	5%	Achieved
	Jobs Created	Number	20	29	Achieved
Corporate Social Investment	CSI Budget	%	2% of NPAT	2.7%	Achieved
ANNEXURE D: ECONOMIC IMPACT					
Transformation Procurement	% Total Local Spend	%	60%	60%	Achieved
	% Total BBBEE Spend				
	· % Black Owned	%	40%	5%	Not Achieved
	· QSE/EME	%	40%	14%	Not Achieved
ANNEXURE E: ENERGY EFFICIENCY					
Energy Efficiency	Reduction and offsetting of emissions 5% year on year – 2018	Grams, Tonnes and CO2	158	174	Not Achieved
	Reduction of energy utilisation in corporate building	To be determined	To be reviewed		

The 2014/15 Shareholder Compact agreed with the Shareholder constituted of 45 Key Performance Indicators. The focus of the Shareholder due to the airlines continued precarious financial position was on Financial Value Creation measures. It is important to note that SA Express managed to achieve only 56% of the 45 indicators. The airline however failed to achieve the majority of the financial targets compacted due to the escalating operating cost, increased competition and airline sector challenges such as the dollar rand exchange fluctuations.

As per the challenges experienced in the airline operating sector and the cost of training and development, SA Express failed to achieve the majority of developmental objectives indicators. The airline is to continuously seek new partnerships to ensure the airline is able to train pilots and technicians at a sustainable rate. However, the airline is to improve the Operational Efficiencies and customer centricity as these targets have not been achieved. The airline has a target of 90% On-time performance; the airline has still achieved a noteworthy 88%. The target addressing Energy efficiency indicator was not achieved. In addition, as referred earlier, the RASK and CASK (including and excluding fuel costs), Revenue per employee, corporate social investment and the number of bags mishandled were all achieved under strategic deliverables. SA Express had targeted a profit of R69m; due to operational and funding challenges the airline achieved a net loss of R132m.

The entity is continuing with its cost-saving and cost avoidance initiatives implemented in 2013/14 and continuing to date. These initiatives are to mitigate against the escalating operating costs. The airline has managed to improve its cash position to R23.9m which is a marked improved from the prior year's negative R96m cash position.

In addition, the Net Profit after tax, CASK (total operating expenses leases plus depreciation) ; EBITDA, Debt to Equity Ratio , Passenger Load Factor, Daily block hours per aircraft and OTP were not achieved. CSI budget of 2% Net Profit after Tax was surpassed and a value of 2.7% of NPAT was achieved. The airline is to focus on total BBBEE spent as the entity failed in its target of services procured from Black Owned Enterprises.

SA Express achieved 56% of the targets.

FINANCIAL STATEMENTS

-YBP

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

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Statement of Profit or Loss and Other Comprehensive Income	100
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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 and the Public Finance Management Act of 1999. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

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

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

The Directors have reviewed the Company's cash flow forecast for the year to 31 March 2016 and, in light of this review and the current financial position, they are satisfied that the Company has or had 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 91 to 98.

The annual financial statements set out on pages 99 to 135, which have been prepared on the going concern basis, were approved by the Board on 31 July 2015 and were signed on their behalf by:

G. Mothema

I. Ntshanga

Directors' Report

The Directors have pleasure in submitting their report on the annual financial statements of South African Express SOC LTD for the year ended 31 March 2015.

1. 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 and the Public Finance Management Act. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the Company are set out in these annual financial statements.

2. Share capital

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

3. Dividends

The Company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board may consider a special dividend where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board may pass on the payment of dividends.

Given the current state of the global economic environment, the Board believes that it would be more appropriate for the Company to conserve cash and maintain adequate debt headroom to ensure that the Company is best placed to withstand any prolonged adverse economic conditions. Therefore the Board has resolved not to declare a dividend for the financial year ended 31 March 2015.

4. Directorate

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

Directors	Office	Designation	Changes
G.Mothema	Chairperson	Non-Executive	Appointed 22 May 2015
I.Ntshanga	Chief Executive Officer	Executive	
B.Dibate		Non-Executive	
N.Moshimane		Non-Executive	Resigned 28 January 2015
A.Mabizela	Chairperson	Non-Executive	Resigned 19 February 2015
B.Ssamula	Chairperson	Non-Executive	Resigned 21 May 2015
K.Nondumo		Non-Executive	Resigned 21 May 2015
N.Gxumisa		Non-executive	Resigned 21 May 2015
E.Mabyana		Non-Executive	Resigned 11 July 2015
M.Shelley	Chief Financial Officer	Executive	Appointed 1 February 2015
T.Abrahams		Non-Executive	Appointed 22 May 2015
R.Naithani		Non-Executive	Appointed 22 May 2015
P .Ramosebudi		Non-Executive	Appointed 22 May 2015
G.Sibiya		Non-Executive	Appointed 22 May 2015
N.Nkabinde		Non-Executive	Appointed 22 May 2015

5. Directors' interests in contracts

During the financial year, no contracts were entered into which Directors or officers of the Company had an interest and which significantly affected the business of the Company.

6. Borrowing powers

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. Events after the reporting period

B Ssamula, K Nondumo, N Gxumisa and E Mabyane resigned from the Board of Directors.

B Mathebula resigned as the Company Secretary.

During May 2015, damages were sustained to an aircraft in the fleet. Although a claim has been submitted to the insurer, no assessment has yet been received. Management is of the opinion that it is unlikely that the aircraft will be scrapped.

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

8. Going concern

The Directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact the Company. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

Briefly, below are some of the factors that the Directors considered to ensure that the going concern assumption is appropriate:

- The Company has received an extension of R539 million on it's inital government guarantee as well as a new government guarantee of R567 million 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;
- The Company has made significant cost savings and further savings are expected to be made in the foreseeable future; and
- No suppliers have withdrawn their support to the Company.

Further to the above points, the Company's going concern status is also informed by its 20/20 Vision, the Funding Plan and the Long-Term Turnaround Strategy that will be implemented.

9. Auditors

Auditor-General of South Africa continued in office as auditors for the Company for 2015.

At the AGM, the Shareholder will be requested to reappoint Auditor-General of South Africa as the independent external auditors of the Company for the 2016 financial year.

10. Secretary

The Company Secretary is Statucor (PTY) LTD Crisna Erasmus

Business address

2nd Floor
E Block Offices
Airways Park
1 Jones Road
Gauteng
1627

Postal address

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

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

Report on the financial statements

Introduction

1. I have audited the financial statements of South African Express Airways SOC Limited set out on pages 99 to 135, which comprise the statement of financial position as at 31 March 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

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

Auditor-general's responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. .

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

Basis for qualified opinion

Property plant and equipment

6. During 2014, I was unable to obtain sufficient appropriate audit evidence to support the rotables balance accounted for as part of property, plant and equipment due to inadequate record keeping by the entity. I was also unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment to the corresponding figure to rotables balance accounted for as part of property, plant and equipment stated at R278 332 278 (2013: R30 606 222) in note 3 to the financial statements was necessary.

My audit opinion on the financial statements for the period ended 2014 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Inventory

7. During 2014, I was unable to obtain sufficient appropriate audit evidence to support the inventory balance due to inadequate record keeping by the entity. I was also unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment to the corresponding figure to inventory stated at R175 178 302 (2013: R85 582 349) in note 7 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 2014 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Taxation effects

8. Due to the possible effects of the limitations as described in paragraphs 6 and 7 above, I was unable to obtain sufficient appropriate audit evidence to support the account balances and class of transactions considered in the computation of the deferred tax asset for the financial year ended 31 March 2014. Consequently, I was unable to determine whether any adjustment relating to the corresponding figure to the deferred tax asset stated at R170 240 678 (2013: R159 122 113) in note 6 to the financial statements was necessary.

Trade and other receivables

9. During the current year, the entity recognised as an asset the maintenance reserve balance even though it has no established right or control over funds paid to the lessor until a claim is submitted, assessed and accepted by the lessor and therefore does not meet the definition of an asset in accordance with IAS 1 Presentation of financial statements read with the Framework for preparation and presentation of the financial statements. Consequently, trade receivables are overstated by R46 112 156 (2014: 10 940 288), with a resultant impact on the reported total comprehensive loss for the year and accumulated loss.

Irregular expenditure

10. During 2014, I was unable to obtain sufficient appropriate audit evidence for the irregular expenditure disclosed in note 38 to the financial statements due to the entity not having an adequate system for identifying and disclosing irregular expenditure. I was also unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment to the irregular expenditure disclosed as R3 407 717 in note 39 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 2014 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Qualified opinion

11. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of South African Express Airways SOC Limited as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with IFRS and the requirements of the PFMA and Companies Act.

Emphasis of matters

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

Government guarantee

13. As disclosed in note 35 to the financial statements, South African Express Airways SOC Limited was granted an extension of the existing guarantee relating to covenant breaches and working capital and an additional guarantee for further working capital and asset-based finance facilities. The guarantees were granted subject to certain conditions. The guarantee arrangements from the shareholder will reach capacity on 28 February 2020.

Restatement of corresponding figures

14. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2014 financial year have been restated as a result of an error discovered during 31 March 2015 financial year in the financial statements of South African Express Airways SOC Limited at, and for the year ended, 31 March 2014.

Additional matter

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

Other reports required by the Companies Act

16. As part of my audit of the financial statements for the year ended 31 March 2015, I have read the Directors' report, the audit committee's report and the Company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparer. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed a qualified opinion. I have not audited the reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

18. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2015:

- SAX 20:20 vision on page 80
- African regional expansion on page 80
- Policy and regulation on page 80

- Sustainable cash position on page 81
- Improve operational efficiencies on page 81
- Developmental objectives on page 82
- Transformation procurement on page 82

19. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

20. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's Annual Reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

21. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

22. The material findings in respect of the selected objectives are as follows:

SAX 20/20 vision

Usefulness of reported performance information

23. I did not raise any material findings on the usefulness of the reported performance information relating to the SAX 20/20 vision.

Reliability of reported performance information

24. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided.

African regional expansion

Usefulness of reported performance information

25. The FMPPI requires that the indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. The indicators for the objective were not all well defined.

Reliability of reported performance information

26. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided.

Policy and regulation

Usefulness of reported performance information

27. The FMPPI requires that the indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. The indicators for the objective were not all well defined.

28. The FMPPI requires that the targets should be specific in clearly identifying the nature and required level of performance. The targets for the objective were not all specific.

Reliability of reported performance information

29. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information.

Sustainable cash position

Usefulness of reported performance information

30. The FMPPI requires that the targets should be specific in clearly identifying the nature and required level of performance. A total of 25% of the targets were not specific.

31. The FMPPI requires that the targets should be measurable. A total of 25% of the targets were not measurable.

Reliability of reported performance information

32. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets relating to the objective of sustainable cash position were not reliable when compared to the source information and evidence provided.

Improve operational efficiencies

Usefulness of reported performance information

33. I did not raise any material findings on the usefulness of the reported performance information relating to improve operational efficiencies.

Reliability of reported performance information

34. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets relating to the objective of improved operational efficiencies were not reliable when compared to the source information or evidence provided.

Developmental objectives

Usefulness of reported performance information

35. Treasury regulation 30.1.3(g) requires the corporate plan to form the basis for the Annual Report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. Thirty-three per cent of the reported targets were not consistent with those in the approved corporate plan.

Reliability of reported performance information

36. I did not raise any material findings on the reliability of the reported performance information relating to developmental objectives.

Transformation procurement

Usefulness of reported performance information

37. The FMPPI requires that the indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. The indicators for the objective were not all well defined.

Reliability of reported performance information

38. The FMPPI requires that the targets should be specific in clearly identifying the nature and required level of performance. The targets were not all specific.

Reliability of reported performance information

39. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important indicators and targets relating to the objective of transformation procurement were not reliable when compared to the source information or evidence provided.

Additional matter

40. I draw attention to the following matter:

Achievement of planned targets

41. Refer to the annual performance report on pages 80 to 83 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected objectives reported in paragraphs 23 to 39 of this report.

Compliance with legislation

42. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. Material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Strategic planning and performance management

43. The corporate plan did not include the strategic objectives and outcomes agreed upon by the Executive authority in the shareholder's compact or key performance measures and indicators for assessing the entity's performance in delivering the desired outcomes and objectives as required by treasury regulation 29.1.1(c).

Financial statements, performance and Annual Reports

44. The accounting authority did not submit the approved financial statements for auditing within two months after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.

45. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA and section 29(1)(a) of the Companies Act of South Africa. Certain material misstatements of non-current assets, current assets, liabilities, revenue and expenditure identified by the auditors in the submitted financial statements were subsequently corrected; however, the other uncorrected material misstatements and lack of sufficient appropriate audit evidence resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

46. Goods, works or services were not always procured through a procurement process which is fair, equitable, transparent and competitive as required by section 51(1)(a)(iii) of the PFMA.

Expenditure management

47. As disclosed in note 38 and 39 to the financial statements, South African Express Airways SOC Limited incurred irregular, fruitless and wasteful expenditure as contemplated in section 51(1)(b)(ii) of the PFMA and was in the process of resolving the matter. The accounting authority did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Consequence management

48. Sufficient appropriate audit evidence could not be obtained that effective and appropriate disciplinary steps were taken against all officials who incurred or permitted irregular expenditure in the prior year, as required by section 51(1)(e)(iii) of the PFMA.

Asset management

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

Internal control

50. I considered internal control relevant to my audit of the financial Statements, performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for a qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

Leadership

51. Ongoing monitoring and supervision undertaken to enable management to determine whether internal controls over financial reporting are present and functioning were not adequate, which led to material adjustments to the annual financial statements, material findings with regard to reported performance information and non-compliance with legislation. The financial and cash flow concerns which delayed the finalisation of the prior year Annual Report caused a further delay in implementing corrective actions to prevent previous material misstatements in the financial statements and compliance with legislation. The newly appointed accounting authority of the entity should set the right tone at the top and demand clean administration from its executive team and implementation of approved policies and procedures.

Financial and performance management

52. The information systems used for recording and processing of transactions were not effectively and efficiently used to produce reliable information. The entity did not interrogate data received from these systems to ensure that it produces accurate and reliable information to support the financial statements and reported performance information. I experienced difficulties (delays in submitting, and the unavailability of requested information) during the audit due to poor record keeping in certain areas and a lack of adequate reconciliations that are reviewed by the entity.

Governance

53. A comprehensive combined assurance plan which addresses the risks highlighted by internal and external audits has not been monitored effectively to ensure that recommendations are being implemented.

Auditor-General

Pretoria
21 August 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Statement of Financial Position as at 31 March 2015 **Figures in Rand**

	Note(s)	2015	2014 Restated	2013 Restated
Assets				
Non-CurrentAssets				
Property,plant and equipment	3	496 544 980	502 470 611	206 904 070
Intangible assets	4	-	397 150	1 088 659
Other financial assets	5	-	-	73 641 660
Deferred tax	6	221 626 873	170 240 678	159 122 113
		718 171 853	**673 108 439**	**440 756 502**
Current Assets				
Inventories	7	128 511 547	175 178 302	85 582 349
Trade and other receivables	9	825 775 015	825 345 892	721 135 483
Other financial assets	5	-	75 112 192	-
Current tax receivable	17	-	75 410 097	106 344 272
Cash and cash equivalents	10	23 921 645	73 017	22 575 998
		978 208 207	**1 151 119 500**	**935 638 102**
Total Assets		**1 696 380 060**	**1 824 227 939**	**1 376 394 604**
Equity and Liabilities				
Equity				
Share capital	11	501 837 518	501 837 518	501 837 518
Reserves		356 954 972	356 954 972	356 954 972
Accumulated loss		(802 956 078)	(670 598 441)	(660 377 058)
		55 836 412	**188 194 049**	**198 415 432**
Liabilities				
Noncurrent Liabilities				
Other financial liabilities	13	-	200 000 000	200 000 000
Current Liabilities				
Trade and other payables	16	809 615 045	807 875 799	549 878 366
Other financial liabilities	13	300 000 000	100 000 000	-
Provisions	14	296 469 289	254 763 621	159 319 046
Neutrality advance	15	234 459 314	177 266 915	177 266 915
Bank over draft	10	-	96 127 555	91 514 845
		1 640 543 648	**1 436 033 890**	**977 979 172**
Total Liabilities		**1 640 543 648**	**1 636 033 890**	**1 177 979 172**
Total Equity and Liabilities		**1 696 380 060**	**1 824 227 939**	**1 376 394 604**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand

	Note(s)	2015	2014
Revenue	18	2 591 494 154	2 562 802 770
Other income	19	15 257 136	24 892 494
Operating expenses		(2 592 039 635)	(2 613 119 551)
Operating profit(loss)	20	**14 711 655**	**(25 424 287)**
Investment revenue	21	7 122 773	8 286 366
Depreciation and amortisation		(113 911 880)	(120 234 745)
Fair value adjustments	22	(10 359 711)	(11 261 636)
Impairment of assets	23	(62 163 941)	149 337 309
Proceeds on sale of assets		10 984 185	46 053
Finance costs	24	(30 126 913)	(22 089 008)
Loss before taxation		**(183 743 832)**	**(21 339 948)**
Taxation	25	51 386 195	11 118 565
(Loss)profit for the year		**(132 357 637)**	**(10 221 383)**
Other comprehensive income		-	-
Total comprehensive(loss) income for the year		**(132 357 637)**	**(10 221 383)**

Statement of Changes in Equity

Figures in Rand

	Share capital	Share Premium	Total share Capital	Shareholder Loan	Accumulated loss	Total equity
Opening balance as previously reported	452	501 837 066	501 837 518	356 954 972	(657 694 037)	201 098 453
Prior year adjustments					(2 683 021)	(2 683 021)
Balance at 01 April 2013 as restated	**452**	**501 837 066**	**501 837 518**	**356 954 972**	**(660 377 058)**	**198 415 432**
Loss for the year	-	-	-	-	(10 221 383)	(10 221 383)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	-	**(10 221 383)**	**(10 221 383)**
Opening balance as previously reported	452	501 837 066	501 837 518	356 954 972	(863 472 609)	(4 680 119)
Prior year adjustments	-	-	-	-	192 874 168	192 874 168
Balance at 01 April 2014 as restated	452	**501 183 066**	**501 837 518**	**356 954 972**	**(670 598 441)**	**188 194 049**
Loss for the year	-	-	-	-	(132 357 637)	(132 357 637)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	-	**(132 357 637)**	**(132 357 637)**
Balance at 31 March 2015	**452**	**501 837 066**	**501 837 518**	**356 954 972**	**(802 956 078)**	**55 836 412**
Note(s)	11	11	11	12		

Statement of Cash Flows **Figures in Rand**

	Note(s)	2015	2014
Cash flows from operating activities			
Cash(used in)generated from operations	27	33 135 844	66 905 991
Interest income		7 122 773	8 286 366
Finance costs		(30 126 913)	(22 089 008)
Tax(paid)received	28	75 410 097	-
Net cash from operating activities		**85 541 801**	**53 103 349**
Cash flows from investing activities			
Purchase of property,plant and equipment	3	(110 642 123)	(180 246 020)
Sale of property, plant and equipment	3	1 787 730	1 519 564
Purchase of other intangible assets	4	-	(68 104)
Sale of financial assets		75 112 192	(1 470 532)
Proceeds on sale of assets		10 984 185	46 053
Net cash from investing activities		**(22 758 016)**	**(180 219 039)**
Cash flows from financing activities			
Repayment of other financial liabilities		-	100 000 000
Movement in neutrality advance		57 192 399	-
Net cash from financing activities		**57 192 399**	**100 000 000**
Total cash movement for the year		**119 976 184**	**(27 115 690)**
Cash at the beginning of the year		(96 054 539)	(68 938 848)
Total cash at end of the year	**10**	**23 921 645**	**(96 054 538)**

Accounting Policies

1. 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 and the Public Finance Management Act. 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.

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables, held to maturity investments and loans and receivables

The Company assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

The Company assesses 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 have remained appropriate.

The Company assesses the useful lives and amortisation method of Intangible Assets at each reporting date, during the year under review the useful lives and amortisation method remained unchanged as they were deemed to be appropriate..

Maintenance reserves

Maintenance Reserves (prepayments made to lessors during the term of the lease contract, in anticipated 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 the leased aircraft and their components between year-end and lease expiry, and uses this estimate as the basis for the valuation of the maintenance reserve provision. The recognition of the maintenance reserves assets and value thereof is subject to critical judgment by Management.

Provisions

Provisions were raised and Management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

1.1 Significant judgements and sources of estimation uncertainty

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.2 Property, Plant and Equipment

Property, plant and equipment are tangible assets which the Company holds for its own use or for rental to others and which are expected to be used for more than one year.
An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.
Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	5 years
Furniture and fixtures	Straight line	3 years
Motor vehicles	Straight line	
• Technical		10 years
• Non-Technical		5 years
IT equipment	Straight line	3 years
Leasehold improvements (Limited to the shorter of the lease term or useful life of the component)	Straight line	20 years
Aircraft		
• Air frames	Straight line	20 years
• Interior seats	Straight line	8 years
• Engines	Straight line	20 years
• Engine overhauls	Straight line	5 years
• Rotables(limted to the shorter of the cycles or useful life)	Straight line	5 to 20 years
• C Checks	Straight line	2 years
• Landing gears	Straight line	10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.
Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item

1.3 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; and
- 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, purchased	5 years
Computer software, internally generated	3 years

1.4 Financial instruments

Classification

The Company classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Held-to-maturity investment
- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

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

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

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

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

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Loans to Shareholders, Directors, Managers and employees

These financial assets are classified as loans and receivables.

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.

1.5 Tax

Current Tax Assets and Liabilities

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

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

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.

1.6 Leases

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

Finance Leases – Lessee

Finance leases are recognised as assets and liabilities in the 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.

1.7 Inventories

Inventories consist of consumable spares in stockholding to support Technical Maintenance. Inventories are measured at the lower of cost and net realisable value.

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

1.8 Non-current Assets Held for Sale and Disposal Groups

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 groups 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 costs less 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.

1.9 Impairment Of Assets

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

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

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.
If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

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

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.

1.10 Share Capital And Equity

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

Ordinary Shares Are Classified As Equity.

1.11 Employee Benefits

Short-term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.
The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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. The timing of the outflows of the provisions are uncertain.
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;
- 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.13 Revenue

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.

Revenue is classified under these categories:

- Passenger revenue;
- Cargo revenue;
- Voyager revenue; and
- Fuel levy.

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.

1.14 Borrowing 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 Impairment Provision

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 the leased aircraft and their components between year end and the lease expiry date and uses this estimate as the basis for valuation of the maintenance reserve impairment provision. The recognition of the maintenance reserve assets and values thereof are subject to critical judgments followed by Management.

1.17 Maintenance 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.

1.18 Irregular, Fruitless And Wasteful Expenditure

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

Section 1 of the PFMA, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation and defines fruitless and wasteful expenditure as expenditure was made in vain and would have been avoided had reasonable care been exercised.

All unauthorised, irregular, fruitless and wasteful expenditure is accounted for in profit/loss in the period in which they are identified.

1.19 Neutrality Advance

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

Notes to the Annual Financial Statements

2. New Standards And Interpretations

2.1 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:

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendment to IAS 36 Impairment of Assets now require:

- Disclosures to be made of all assets which have been impaired, as opposed to only material impairments,
- The disclosure of each impaired asset's recoverable amount, and

- Certain disclosures for impaired assets whose recoverable amount is fair value less costs to sell in line with the requirements of IFRS 13 Fair Value Measurement.

The effective date of the amendment is for years beginning on or after 01 January 2014.

The Company has adopted the amendment for the first time in the 2015 annual financial statements. The impact of the amendment is not material.

2.2 Standards and Interpretations Not Yet Effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 01 April 2015 or later periods:

Amendments To IAS 19: Defined Benefit Plans: Employee Contributions.

The amendment relates to contributions received from employees or third parties for defined benefit plans. These contributions could either be discretionary or set out in the formal terms of the plan. If they are discretionary then they reduce the service cost. Those which are set out in the formal terms of the plan are either linked to service or not. When they are not linked to service then the contributions affect the remeasurement. When they are linked to service and to the number of years of service, they reduce the service cost by being attributed to the periods of service. If they are linked to service but not to the number of years' service then they either reduce the service cost by being attributed to the periods of service or they reduce the service cost in the period in which the related service is rendered.

The effective date of the amendment is for years beginning on or after 01 July 2014. The Company expects to adopt the amendment for the first time in the 2016 annual financial statements. The impact of this amendment is currently being assessed.

Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project

The amendment adjusts the option to proportionately restate accumulated depreciation when an item of property, plant and equipment is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is then adjusted as the difference between the gross and net carrying amount. The effective date of the amendment is for years beginning on or after 01 July 2014.

The Company expects to adopt the amendment for the first time in the 2016 annual financial statements. The impact of this amendment is currently being assessed.

Amendment to IAS 24: Related Party Disclosures: Annual improvements project

The definition of a related party has been amended to include an entity, or any member of a group of which it is a part, which provides key Management personnel services to the reporting entity or to the parent of the reporting entity ("Management entity"). Disclosure is required of payments made to the Management entity for these services but not of payments made by the Management entity to its Directors or employees.

The effective date of the amendment is for years beginning on or after 01 July 2014. The Company expects to adopt the amendment for the first time in the 2016 annual financial statements. The impact of this amendment is currently being assessed.

Amendment to IFRS 13: Fair Value Measurement: Annual improvements project

The amendment clarifies that references to financial assets and financial liabilities in paragraphs 48–51 and 53–56 should be read as applying to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The Company expects to adopt the amendment for the first time in the 2016 annual financial statements. The impact of this amendment is currently being assessed.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The Company expects to adopt the amendment for the first time in the 2017 annual financial statements. The impact of this amendment is currently being assessed.

IFRS 15 Revenue from Contracts with Customers.

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;and
- Recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2017.

The Company expects to adopt the standard for the first time in the 2018 annual financial statements. The impact of this standard is currently being assessed.

3. Property, Plant and Equipment

	2015			2014		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Leashold improvements - Aircraft	200 928 757	(78 480 878)	122 447 879	148 494 722	(38 830 621)	109 664 101
Plant and machinery	33 160 265	(28 153 449)	5 006 816	31 885 147	(26 748 066)	5 137 081
Motor vehicles	3 595 252	(3 449 557)	1 45 695	3 595 252	(3 393 223)	202 029
Rotables	384 799 554	(114 697 631)	270 101 923	364 621 490	(86 289 212)	278 332 278
Land, buildings and structures	1 260 562	(772 228)	488 334	1 257 245	(792 603)	464 642
Aircraft	943 638 365	(845 729 449)	97 908 916	923 027 502	(815 053 258)	107 974 244
Containers	5 650	(5 109)	541	5 650	(4 826)	824
Capital work in Progress	444 876	-	444 876	695 412	-	695 412
Total	**1 567 833 281**	**(1 071 288 301)**	**496 544 980**	**1 473 582 420**	**(971 111 809)**	**502 470 611**

	2013		
	Cost or revaluation	Accumulated depreciation	Carrying value
Leasehold improvements - Aircraft	65 748 221	(14 186 869)	51 561 352
Plant and machinery	28 224 094	(25 682 373)	2 541 721
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	907 527 930	(787 483 404)	120 044 526
Containers	5 650	(4 544)	1 106
Capital work in progress	531 751		531 751
Total	**1 128 699 903**	**(921 795 833)**	**206 904 070**

Reconciliation of Property, Plant and Equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Leasehold improvements Aircraft	109 664 102	53 629 184	-	(1 195 149)	(39 650 258)	122 447 879
Plant and machinery	5 137 081	913 180	-	361 938	(1 405 383)	5 006 816
Motor vehicles	202 029	-	-	-	(56 334)	145 695
Rotables	278 332 279	35 252 031	(1 787 730)	-	(41 694 656)	270 101 924
Land, buildings and Structures	464 641	55 317	-	-	(31 624)	488 334
Aircraft	107 974 244	20 610 863	-	-	(30 676 191)	97 908 916
Containers	824	-	-	-	(282)	542
Capital work in progress	695 412	181 548	-	(432 084)	-	444 876
	502 470 612	**110 642 123**	**(1 787 730)**	**(1 265 295)**	**(113 514 728)**	**496 544 982**

Reconciliation of Property, Plant and Equipment - 2014

	Opening Balance	Additions	Disposals	Transfers	Opening Balance Adjustment	Depreciation	Total
Leasehold Improvements Aircraft	51 561 352	94 411 613	(1 519 564)	(208 704)	-	(34 580 595)	109 664 102
Plant and machinery	2 541 721	3 661 053	-	208 704	-	(1 274 397)	5 137 081
Motor vehicles	355 331	-	-	-	-	(153 302)	202 029
Rotables	30 606 222	57 685 136	-	-	235 210 930	(45 170 009)	278 332 279
Land, buildings and structures	1 262 061	5 965	-	(728 000)	-	(75 385)	464 641
Aircraft	120 044 526	24 318 592	-	-	-	(36 388 874)	107 974 244
Containers	1 106	-	-	-	-	(282)	82
Capital work in progress	531 751	163 661	-	-	-		695 412
	206 904 070	**180 246 020**	**(1 519 564)**	**(728 000)**	**235 210 930**	**(117 642 844)**	**502 470 612**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Reversals to opening balance	Depreciation	Impairment loss	Total
Leasehold improvements Aircraft	25 967 025	25 803 031	-	(208 704)	-	51 561 352
Plant and machinery	2 137 522	834 231	-	(430 032)	-	2 541 721
Motor vehicles	248 649	264 900	(41 221)	(116 997)		355 331
Rotables	62 373 573	28 965 634	-	(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	-	(91 576 005)	-	120 044 526
Containers	1 389	-	-	(283)		1 106
Capital work in progress	141 236	390 515	-	-	-	531 751
	219 202 478	**140 916 376**	**(41 221)**	**(136 229 984)**	**(16 943 579)**	**206 904 070**

Changes in estimates

The Company reassesses the useful lives and residual values of items of property, plant and equipment at the end of each reporting period, in line with the accounting policy and IAS 16 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information. The average useful lives of rotables have been assessed as based on this analysis, the useful lives of rotables have been revised from 5 to 20 years. The impact of the change is a reduction in the annual depreciation charge. A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

4. Intangible Assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer packages - internally generated	9 131 416	(9 131 416)	-	9 131 416	(8 734 266)	397 150
Uniform design purchased	-	-	-	850 000	(850 000)	-
Total	**9 131 416**	**(9 131 416)**	**-**	**9 981 416**	**(9 584 266)**	**397 150**

	2013		
	Cost / Valuation	Accumulated amortisation	Carrying value
Computer packages - internally generated	7 231 025	(6 468 199)	762 826
Uniform design - purchased	850 000	(524 167)	325 833
Total	**8 081 025**	**(6 992 366)**	**1 088 659**

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer packages - internally generated	397 150	(397 150)	-

Reconciliation of Intangible Assets - 2014

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

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer packages - internally generated	2 704 521	108 591	(2 050 286)	762 826
Uniform design - purchased	495 833	-	(170 000)	325 833
	3 200 354	**108 591**	**(2 220 286)**	**1 088 659**

5. Other Financial Assets

	2015	2014	2013
Held to maturity	-	75 112 192	-
Standard Bank Investment This investment is held for a fixed term ending March 2015, at a fixed rate of JIBAR +.99 basis points. The cumulative interest received will add to the investment until the investment nominal figure reaches R75 million. Thereafter it will be transferred to working capital.			
Standard Bank Investment	-	-	73 641 660
	-	**75 112 192**	**73 641 660**
Non-current assets Held to maturity	-	-	73 641 660
Current assets Held to maturity	-	75 112 192	
	-	**75 112 192**	**73 641 660**

Fair Value of Held to Maturity Investments

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 2015 and 2014, 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 of each class of loan mentioned above. The Company does not hold any collateral as security.

The Standard Bank Investment reached maturity and the funds were paid back to the Company before 31 March 2015.

6. 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:

	2015	2014	2013
Deferred tax asset	**221 626 873**	**170 240 678**	**159 122 113**
Reconciliation of deferred tax asset/(liability)			
At beginning of year	170 240 678	159 122 113	-
Deferred tax asset not previously raised		-	148 265 236
Taxable/(deductible) temporary difference movement on fixed assets	2 913 042	(72 442 134)	(3 702 579)
Taxable/(deductible) temporary difference on provisions	27 396 555	8 956 759	60 044 568
Taxable/(deductible) temporary difference on intangible assets	(661 543)	(468 908)	(48 148)
Taxable/(deductible) temporary difference on prepayments	(22 232 400)	(11 836 840)	(18 326 644)
Originating temporary difference on accrual of interest on tax	2 677 830	(827 579)	(1 850 251)
(Originating)/Reversing difference on amounts received in advance	16 013 872	-	-
Originating temporary difference on maintenance reserves	-	-	(19 879 427)
Originating temporary difference on as se sed loss	25 278 839	72 704 864	27 017 048
Adjustment of deferred tax asset not previously raised	--	15 032 403	(32 397 690)
	221 626 873	**170 240 678**	**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.

A deferred tax asset has been recognised in the current year as future taxable profits will be available against which the deferred tax asset will be utilised. This is based on forecasts prepared by Management, which show that the Company will make taxable profits in the future. Based on the Company's 20/20 Strategy, the funding plan and Whole of State Strategy, the Company will be making taxable income that will be utilised against the assessed loss.

7. Inventories

	2015	2014	2013
Inventories	128 511 547	175 178 302	105 997 534
	128 511 547	175 178 302	105 997 534
Inventories (write-downs)	-	-	(20 415 185)
	128 511 547	**175 178 302**	**85 582 349**

In the current year, an exercise was performed to correct the valuation issues surrounding inventories this resulted in a decrease of R62 163 940.65. Prior year was increased by R17 294 890.17. These adjustments are reflected under impairment of assets. Inventories are shown above at the valuation after taking into account the impairments.

8. Loans to Directors, Managers and Employees

The Company did not issue any loans to Directors, Managers and employees.

9. Trade and Other Receivables

	2015	2014	2013
Trade receivables	398 927 347	457 665 830	400 638 502
Employee costs in advance	5 582 310	6 179 110	7 472 911
Aircraft Restoration Costs	287 860 031	254 763 621	159 319 046
Deposits	32 906 420	29 644 603	23 507 320
VAT	3 667 401	19 387 827	21 774 418
Maintenance reserves	112 207 735	84 610 710	131 388 970
Provision: Maintenance Reserves write-down	(47 407 855)	(47 407 855)	(49 778 202)
Prepayments	32 031 626	20 502 046	26 812 518
	825 775 015	**825 345 892**	**721 135 483**

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.

Trade and other receivables past due but not impaired

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

	2015	2014	2013
1 month past due	2 507 671	1 823 267	7 248
2 months past due	426 131	-	-
3 months past due	12 586 450	7 932 115	555 876

Trade and other receivables impaired

As of 31 March 2015, trade and other receivables of R 1 937 893 (2014: R 1 788 345 ; 2013: R 1 689 531) were impaired and provided for.

The amount of the provision was R (1 937 893) as of 31 March 2015 (2014: R (1 788 345) ; 2013: R (1 697 232).

Prepayments

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 as required.

Aircraft restoration cost

2015	2014	2013
284 409 759	244 033 358	159 319 046

Reconciliation of maintenance reserve

	2015	2014	2013
Opening balance	37 202 855	81 610 768	131 388 970
Provision for impairment	-	(47 407 853)	(49 778 202)
Amounts written off as uncollectable	--	(68 234 774)	-
Utilised during the year	(1 579 650)	-	
Unwinding of discount	-	(10 940 288)	
Prior period adjustment	-	10 940 285	
Provided during the year	29 176 675	71 234 717	
	64 799 880	**37 202 855**	**81 610 768**

10. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2015	2014	2013
Cash on hand	72 934	73 017	72 954
Bank balances	23 848 711	-	-
Short-term deposits	-	-	22 503 043
Bank overdraft	-	(96 127 555)	(91 514 845)
	23 921 645	**(96 054 538)**	**(68 938 848)**

Current assets	23 921 645	73 017	22 575 998
Current liabilities	-	(96 127 555)	(91 514 845)
	23 921 645	**(96 054 538)**	**(68 938 847)**

The total amount of undrawn facilities available for future operating activities and commitments	92 101 400	20 444 825	24 485 155

The loan facility from Nedbank Limited is secured by a guarantee from the Shareholder.

11. Share capital

Authorised

	2015	2014	2013
1 000 Ordinary shares of R1 each	1 000	1 000	1 000
Issued			
452 Ordinary shares of R1 each	452	452	452
Share premium	501 837 066	501 837 066	501 837 066
	501 837 518	**501 837 518**	**501 837 518**

12. Shareholder Loan

Capital reserves comprise of an interest free loan (Department of Public Enterprises), 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.
A Perpetual guarantee of R121 000 000 has been received from the shareholder to ensure that the Company remains solvent.

	2015	2014	2013
Shareholder loan	**356 954 972**	**356 954 972**	**356 954 972**

13. Other Financial Liabilities

Held at Amortised Cost

	2015	2014	2013
Nedbank Limited 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 2016. The interest on the loan is payable quarterly at a rate of 7.3 %.	300 000 000	300 000 000	300 000 000
Non-Current Liabilities At amortised cost	-	200 000 000	200 000 000
Current Liabilities At amortised cost	300 000 000	100 000 000	
	300 000 000	**300 000 000**	**200 000 000**

14. Provisions

Reconciliation of provisions - 2015

	Opening balance	Additions	Total
Computer packages - internally generated	254 763 621	41 705 668	296 469 289

Reconciliation of provisions - 2014

	Opening balance	Additions	Total
Aircraft restoration	159 319 046	95 444 575	254 763 621

Reconciliation of provisions - 2013

	Opening balance	Additions	Total
Aircraft restoration	139 948 544	19 370 502	159 319 046

The provision for Aircraft Restoration 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 and Whitney, who will perform the required maintenance on the Aircraft. There is no expected reimbursement in respect of this provision.

The costs during the term of the lease contract are dependant on flight hours which causes uncertainty as to the timing of the outflow.

15. Neutrality Advance

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

	2015	2014	2013
Reconciliation of Neutrality advance			
Opening balance	177 266 915	177 266 915	177 266 915
Received during they ear	57 192 399	-	-
	234 459 314	**177 266 915**	**177 266 915**

16.Trade and Other Payables

	2015	2014	2013
Trade payables	654 109 383	720 762 299	480 483 980
Workmens compensation	1 541 596	1 636 267	1 212 225
Grants and subsidies	50 000 000	-	-
Leave provision	14 842 168	14 352 272	14 923 150
Accrued expenses-lease smoothing	76 775 282	54 676 679	41 576 628
Accrued salary and wages	9 542 589	9 293 105	9 712 452
Accrued interest	832 513	2 716 903	1 705 215
Passenger service charge	1 971 514	4 438 274	264 716
	809 615 045	**807 875 799**	**549 878 366**

17. Current Tax Payable (Receivable)

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

	2015	2014	2013
Opening balance	75 410 097	106 344 272	99 736 232
Interest accrued on overpayments of provisional tax	324 722	2 955 640	6 608 040
Written off during the year	-	(33 889 815)	-
Received during the year	(75 734 819)	-	-
	-	**75 410 097**	**106 344 272**

18. Revenue

	2015	2014
Passenger revenue	2 516 287 676	2 482 858 692
Cargo revenue	16 449 890	16 043 255
Release of unutilised air traffic liability to revenue	58 756 588	63 900 823
	2 591 494 154	**2 562 802 770**

19. Other Income

	2015	2014
Insurance and other recoveries	3 814 701	3 649 401
Sundry income	11 442 435	21 243 093
	15 257 136	**24 892 494**

20. Operating Profit (Loss)

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

Operating lease charges	2015	2014
Premises		
Contractual amounts	13 263 437	9 714 206
Motor vehicles		
Contractual amounts	1 923 135	1 118 944
Equipment		
Contractual amounts	9 003 083	7 781 630
Aircraft		
Contractual amounts	336 344 097	286 677 464
	360 533 752	**305 292 244**

	2015	2014
Employee costs	589 650 728	552 189 534

21. Investment Revenue

Interest revenue

	2015	2014
Cash and bank balances	7 122 773	8 286 366

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through profit or loss amounted to R 7 122 773 (2014: R 8 286 366).

22. Fair value adjustments

	2015	2014
Foreign exchange revaluations	(10 359 711)	(11 261 636)

23. Impairment of assets

Impairment of maintenance reserve	-	(68 234 774)
Scrapping arising on subsequent recognition of rotables	-	(7 513)
Inventory write downs and opening balance adjustment	(62 163 941)	251 996 973
Impairment of tax receivable	-	(33 889 815)
Impairment of unutilised tickets liability	-	(527 562)
	(62 163 941)	**149 337 309**

24. Finance costs

	2015	2014
Interest paid on long-term borrowings	28 624 060	9 538 545
Interest paid	1 502 854	12 550 463
	30 126 914	**22 089 008**

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through profit or loss amounted to R 30 126 914 (2014: R 22 089 008).

25. Taxation

Major Components of the Tax Income

	2015	2014
Deferred		
Deferred taxation - current year	(51 386 195)	(11 118 585)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %
Permanent differences	0.51 %	(4.55)%
Previously unrecognised deferred tax asset	- %	5.34 %
Capital gains tax	(0.45)%	- %
	28.06 %	**28.79 %**

No provision has been made for 2015 tax as the Company has no taxable income. The estimated tax loss available for set off against future taxable income is R 729 421 942 (2014: R 642 778 797: 2013: R -).

26. Auditors' Remuneration

	2015	2014
External auditors	2 117 882	4 567 265
Internal auditors	1 239 410	1 082 943
	3 357 292	**5 650 208**

27. Cash (used in) Generated From Operation

	2015	2014
Loss before taxation	(183 743 832)	(21 339 948)
Adjustments for: Depreciation and amortisation	113 911 880	120 234 745
Impairment of other assets	62 163 941	(183 227 124)
Profit on sale of non-current assets and disposal groups	(10 984 185)	(46 053)
Interest received - investment	(7 122 773)	(8 286 366)
Finance costs	30 126 913	22 089 008
Non cash movement - tax receivable	-	33 889 815
Movements in provisions	41 705 668	95 444 574
Non cash flow movement - intangible assets	-	(1 832 286)
Non cash movement - maintenance reserve	-	(68 234 774)
Non cash flow movement - other assets	-	(315 922)
Non cash flow movement - transfer of property, plant and equipment	1 265 295	-
Other non-cash items - accrual of interest on overpayment of provisional tax	-	(2 955 640)
Changes in working capital:		
Inventories	46 666 755	(89 595 953)
Trade and other receivables	(429 122)	(104 210 409)
Trade and other payables	1 739 246	257 997 434
Non cash movement - rotable and consumable valuation	(62 163 942)	17 294 890
	33 135 844	**66 905 991**

28. Tax (Paid) Refunded

	2015	2014
Balance at beginning of the year	75 410 097	106 344 272
Impairment of tax receivable	-	(33 889 815)
Interest on overpayment of provisional tax accrued		2 955 640
Balance at end of the year		(75 410 097)
Cash movement for the year	**75 410 097**	-

29. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due

	2015	2014
- within one year	263 992 870	268 968 463
- in second to fifth year inclusive	1 062 020 840	1 098 725 876
- later than five years	144 446 107	298 251 102
	1 470 459 817	**1 665 945 441**

SA Express has entered into various lease agreements with third parties in respect of aircraft and premises for its day-to-day operations. The lease periods on aircraft range from three to five years and one to five years on buildings.

30. Contingencies

Litigation is in the process against the Company relating to a dispute with a passenger civil damages and is seeking damages of R2 300 000. The Company's lawyers and Management consider the likelihood of the action against the Company being successful as unlikely.

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:

	2015	2014	2013
Airports Company of South Africa	110 822	110 822	110 822
Commissioner for Customs and Excise	275 000	275 000	275 000
Richards Bay Airport Company(Proprietary)Limited	1 700 516	1 700 526	1 700 526
Canadian Regional Aircraft Finance Transaction	10 870 720	9 425 203	8 265 716
Computers hare	3 057 390	8 162 899	7 158 701
Horizon Air Industries Incorporated			10 710 375
Lighthouse	5 823 600	5 049 216	4 428 062
Air Traffic Navigation Services Limited	9 950 000	9 950 000	9 950 000
SANParks	-	300 000	-
Brit Air	18 926 700	16 409 952	-
Bombardier	18 198 750	10 519 200	-
	68 913 498	**61 902 818**	**42 599 202**

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

	2015	2014	2013
Q400 Leasing(SOC) Limited	20 000 000	20 000 000	20 000 000
Lufthansa Technik	-	5 024 322	4 154 670
	20 000 000	**25 024 322**	**24 154 670**

31. Related Parties

Relationships **Shareholder**	Department of Public Enterprises on behalf of the South African Government, incorporated in accordance with the Companies Act of the Republic of South Africa
Significant third party	Denel SOC Limited SAA Cargo (Proprietary) Limited SAA Techinical (Proprietary) Limited AirChefs (Proprietary) Limited
Members of key Management	I Ntshanga M Shelley D Allanby W Hermanus K Nkala M Mochele P Mashaba B van Wyk

Nature of relationships

South African Airways (SOC) Limited and Denel (SOC) Limited are State Owned entities and therefore have the same Shareholders as South African Express Airways (SOC) Limited. South African Airways (SOC) Limited holds 100 % shareholding in Airchefs (Proprietary) Limited, SAA Cargo (Proprietary) Limited and SAA Technical (Proprietary) Limited.

Terms of related party receivables

South African Airways SOC Limited

Payment in respect of flown revenue and relevant levies and taxes for the given month of operation shall be transferred by direct bank deposits on the 18th of each month following the month of operation, and if this falls over a weekend, the transfer is to take place on the following Monday.

South African Airways Cargo (Proprietary) Limited

Payment in respect of cargo revenue is due 30 days from date of invoice

Terms of related party payables

South African Airways SOC Limited - Fuel

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

AirChefs (Proprietary) Limited

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

South African Airways SOC Limited

South African Express Airways SOC Limited shall pay South African Airways SOC Limited in 14 equal monthly instalments commencing from January 2013 to February 2014. The said instalments shall be payable on or before the 10th day of each month. Interest on the deferred payments shall be charged at the rate at which South African Airways SOC Limited is charged by Standard Bank Limited for its current overdraft facilities. Until such time as the monthly instalments commence from January 2013, South African Express Airways SOC Limited shall pay, on or before the 10th day of each month, including interest charged, that exceeds the R140 million (capped).

Denel SOC Limited

The capital sum shall bear interest at 8.5 % per annum, compounded monthly and calculated on the reducing balance outstanding from time to time. South African Express Airways SOC Limited shall pay the capital sum together with the interest accrued from time to time in six instalments.

South African Airways Cargo (Proprietary) Limited

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

Payment will be effected by SA Express to SAA Technical 30 days from the date of the original invoice and statement.

Key management

Key management includes the Executive Directors and the Executive management team. Refer to note 31.

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

	2015	2014
South African Airways SOC Limited	274 699 850	322 345 253
South African Airways Cargo (Proprietary) Limited	1 575 198	1 512 745
South African Airways SOC Limited	(160 067 456)	(353 579 384)
South African Airways Technical (Proprietary) Limited	(10 894 308)	(3 474 717)
South African Airways Cargo (Proprietary) Limited	(105 082)	-
AirChefs (Proprietary) Limited	(17 439 341)	(8 211 445)
Denel SOC Limited	(1 037 416)	1 377 958)

Neutrality advance - Owing (to)by related parties

South African Airways SOC Limited	(234 459 314)	(177 266 915)

Related party transactions

Purchases from (sales to) related parties		
South African Airways SOC Limited	(2 575 044 264)	(3 064 382 061)
South African Airways Cargo (Proprietary) Limited	(16 449 890)	(16 564 475)
Denel SOC Limited	2 855 481	3 460 685
AirChefs (Proprietary) Limited	47 199 702	44 804 094
South African Airways SOC Limited	321 390 073	249 836 781
South African Airways Cargo (Proprietary) Limited	716 610	621 601
South African Airways Technical (Proprietary) Limited	15 767 098	7 327 520

32. Directors' and Executive Managements' emoluments

Executive Directors

2015

	Emoluments	Other benefits*	Pension paid or receivable	Total
I. Ntshanga	2 243 619	113 908	60 449	2 417 976
M. Shelley	233 768	8 799	6 154	248 721
Z. Ngwenya	1 011 510	-	-	1 011 510
	3 488 897	**122 707**	**66 603**	**3 678 207**

2014

	Emoluments	Other benefits*	Pension paid or receivable	Total
I. Ntshanga	2 235 580	127 492	54 904	2 417 976
Z. Ngwenya	1 641 289	102 676	39 035	1 783 000
	3 876 869	**230 168**	**93 939**	**4 200 976**

Non-Executive

2015

	Directors' fees	Total
A. Mabizela	624 811	624 811
B. Ssamula	342 688	342 688
B. Dibate	326 545	326 545
K. Nondumo	262 312	262 312
N. Moshimane	178 188	178 188
E. Mabyana	250 084	250 084
N. Gxumisa	326 545	326 545
G. Mothema	250 084	250 084
	2 561 257	**2 561 257**

2014

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

Executive management

2015

	Emoluments	Other Benefits	Pension Fund or Receivable	Total
D. Allanby	1 581 100	113 082	81 977	1 776 159
W. Hermanus	1 809 454	72 935	52 659	1 935 048
K. Nkala	1 107 923	27 023	26 810	1 161 756
M. Mochele	1 105 163	87 145	57 692	1 250 000
P. Mashaba	1 526 918	120 826	32 256	1 680 000
B. van Wyk	1 257 812	71 817	31 409	1 361 038
	8 388 370	**492 828**	**282 803**	**9 164 001**

2014

	Emoluments	Other Benefits	Pension Fund or Receivable	Total
D. Allanby	1 601 178	94 955	80 025	1 776 158
W. Hermanus	1 360 194	92 534	68 541	1 521 269
K. Nkala	1 109 204	26 381	26 171	1 161 756
M. Mochele	198 450	16 711	14 423	229 584
P. Mashaba	1 533 751	71 188	75 061	1 680 000
B. van Wyk	1 264 635	65 742	30 661	1 361 038
	7 067 412	**367 511**	**294 882**	**7 729 805**

33. Prior period errors

	2014 previously reported	Prior year adjustments	2014 Restated
Deferred taxation	235 048 620	(64 807 943)	170 240 677
Rotables	158 640 271	(10 145 548)	148 494 723
Accumulated depreciation: Aircraft	178 646 661	185 974 829	364 621 490
Accumulated depreciation: Aircraft leased	(780 340 964)	(21 271 447)	(801 612 411)
Accumulated depreciation: machinery and equipment	(66 004 966)	27 174 345	(38 830 621)
Accumulated depreciation: Rotables	(26 956 771)	208 705	(26 748 066)
Consumables	(135 525 312)	49 236 100	(86 289 212)
Maintenance reserve	157 061 096	17 294 890	174 355 986
Sundry debtors	73 670 422	10 940 288	84 610 710
Bank revaluation	220 232 871	34 530 750	254 763 621
Provision lease return	(1 705 301)	(572 381)	(2 277 682)
VAT Head office	(219 755 484)	(35 008 137)	(254 763 621)
Trade debtors	-	(204 748)	(204 748)
	341 448 419	(475 535)	340 972 884
	134 459 562	**192 874 168**	**327 333 730**

Prior period errors are a result of misstatements not picked up in the prior year.

34. 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 13 cash and cash equivalents disclosed in note 10, 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.

The Company has an obligation to maintain equity in excess of R1 billion as per the financial institutions (refer to the Directors report, going concern paragraph).

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

Financial risk Management

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

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. Risk Management is carried out by a central treasury department (Company treasury) under policies approved by the Board. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk Management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

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

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

At 31 March 2015

	Less than 1 year
Borrowings	300 000 000
Trade and other payables	809 615 045
Neutrality advance	234 459 314

At 31 March 2014

	Less than 1 year	Between 1 and 2 years
Borrowings	-	300 000 000
Trade and other payables	807 875 801	-
Neutrality advance	177 266 915	-
Bank overdraft	96 127 555	-

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.

Foreign exchange risk

The Company does not hedge foreign exchange fluctuations.

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

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

Foreign currency exposure at the end of the reporting period

Current Assets

	2015	2014
Trade and other receivables	792 868 595	795 791 289
Cash on hand	23 941 645	73 017
Deposits	32 906 420	29 644 603

Liabilities

Trade payables	809 615 045	807 875 799
Bank overdraft	-	96 127 555

Exchange rates used for conversion of foreign items were:

USD at financial year end	12.1325	11
Average USD for the financial year	11.07	10

The Company reviews its foreign currency exposure, including commitments on an ongoing basis.

35. Going Concern

We draw attention to the fact that at 31 March 2015, the Company had accumulated losses of R 732 983 452 and that the Company's total liabilities exceed its assets by R 55 836 412.

The annual financial statements have been prepared on the basis of accounting policies applicable to a growing 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.

South African Express Airways SOC Limited was granted an extension of the existing guarantee relating to covenant breaches and working capital and an additional guarantee for further working capital and asset based finance facilities. The guarantees were granted subject to certain conditions. The guarantee arrangements from the shareholder will reach capacity on 28 February 2020.

36. Events After the Reporting Period

B Ssamula, K Nondumo and N Gxumisa resigned from the Board of Directors.

T Abrahams, R Naithani, P Ramosebudi, G Sibiya and N Nkabinde were appointed to the Board of Directors.

B Mathebula resigned as the Company secretary.

During May 2015, damages were sustained to an aircraft in the fleet. Although a claim has been submitted to the insurer, no assessment has yet been received. Management is of the opinion that it is unlikely that the aircraft will be scrapped.

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

37. Non Consolidation of Trusts

South African Express SOC Limited is a capital and income beneficiary of two Special Purpose Vehicles.
Sax Partnership Trust: A resolution was passed in January 2015 to dissolve this trust, documentation has been submitted to the Master of the High Court to inform them of this resolution. At the date of the resolution, the net asset value of the trust was paid to South African Express SOC Limited. The trust will remain dormant until confirmation of its dissolution is received from the Master of the High Court.

SAX Number 1 Trust: A resolution was passed in January 2015 to dissolve this trust, documenation has been submttied to the Master of the High Court to inform them of this resolution. As the date of the resolution, the projected net asset value.

38. Fruitless and Wasteful Expenditure

	2015	2014
Penalties for late payments	6 612 317	17 007 084
Interest on late payments	17 091 015	16 696 450
	23 703 332	**33 703 534**

Fruitless and wasteful expenditure for the year are not recoverable as they are due to interest and penalties on late payments as a result of the cash flow problems experienced during the year.

39. Irregular Expenditure

	2015	2014
Opening balance	3 407 717	-
Expired contract	9 355 783	-
No contract	180 615	-
No procurement process followed	3 988 100	3 407 717
Tender irregularities	3 327 018	-
Procurement process not followed (not condoned)	1 625 417	-
Contract exceeded (not condoned)	1 558 880	-
Condoned	(16 851 517)	-
	6 592 013	**3 407 717**

Irregular expenditure was condoned in July 2015 by the appropriate authority.

The airline has embarked on a process of identifying expenditure on goods and services procured in the course of normal operations that are valid, but due to the definition of what constitutes irregular expenditure, is deemed as such.

All the expenditure incurred above during the 2014/15 year were for goods and services physically ordered and received, and the committee responsible for the review of these costs ensured that all these goods and services were received, and that with the exception of the tender irregularity, had satisfactory explanations as to why they occurred, and that no fraudulent nor wasteful transactions were incurred in the above list.

Appropriate actions were taken in the case of the tender irregularity.

As part of the ongoing improvement plan of the entity relating to internal controls, these processes have been refined to ensure that compliance is enhanced to ensure irregular expenditure as defined is minimized.

The auditors reviewed the process followed and the condonation thereof by the appropriate officer as stated in the audit opinion, are satisfied with the outcome of the process and disclosure.

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Aviation
Directors	G. Mothema I. Ntshanga B. Dibate M. Shelley T. Abrahams R. Naithani P. Ramosebudi G. Sibiya N. Nkabinde
Registered office	2nd Floor E Block Offices Airways Park 1 Jones Road Gauteng 1627
Business address	2nd Floor E Block Offices Airways Park 1 Jones Road Gauteng 1627
Postal address	P. O. Box 101 O.R. Tambo International Airport 1627
Holding	Company Department of Public Enterpries on behalf of the South African Government incorporated in accordance with the Com panies Act of the Republic of South Africa
Bankers	First National Bank a division of FirstRand Bank Limited
Auditors	Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Secretary	The Company Secretary Statucor (PTY) LTD Crisna Erasmus
Company registration number	1990/007412/30
Tax reference number	9466416840
Preparer	The annual financial Statements were internally compiled by M.R. Shelley: Chief Financial Officer Chartered Accountant (S.A)

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