

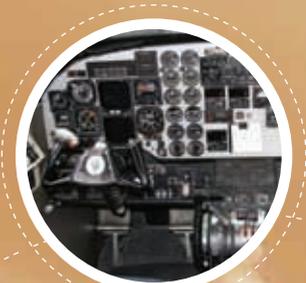
SOUTH AFRICAN



CIVIL AVIATION
AUTHORITY

SOUTH AFRICAN CIVIL AVIATION AUTHORITY

annual report
2006/2007



***Taking ownership
of aviation safety and security***

SOUTH AFRICAN



*CIVIL AVIATION
AUTHORITY*

Vision

Regulatory Excellence in Aviation Safety and Security.

Mission

The SACAA is a player in the international arena that seeks to promote and maintain a safe and secure civil aviation environment in South Africa, by regulating and overseeing the functioning of the industry in an efficient, cost effective, sustainable and customer friendly manner.

Strategic Objectives

- Set civil aviation safety and security standards and regulate industry compliance in accordance with International Civil Aviation Organization's (ICAO) standards and global best practices.
- Facilitate aviation industry functioning, development and growth by participating in joint fora, making safety and security recommendations and promoting safety and security through campaigns and information dissemination.
- Build effective organizational systems and processes in order to ensure financial stability, good corporate governance and performance excellence that meet or exceed stakeholder expectations.
- Ensure growing customer satisfaction by creating a knowledge-based and customer-focused organization.
- Attract, develop and retain skilled human capital.

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SOUTH AFRICAN



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I. Chairperson's Report



Introduction

Once again I am pleased to present to all our stakeholders the South African Civil Aviation Authority's (SACAA) 2006/07 Annual Report. The year under review was inarguably the most challenging of them all, as we had to work around the clock to turn the organization around. An enormous amount of pressure was exerted on us to be ready for the International Civil Aviation Organization (ICAO) and Federal Aviation Administration (FAA) audits, which were scheduled for July / August 2007, and to also continue addressing the ever-increasing needs of our industry. The staff of SACAA, however, managed to rise above all these challenges and brought about real change in the organization. For that, I want to salute their indefatigability and unstoppable determination.

Our commitment to superior service delivery is guided by the powerful vision we have put in place: **"Regulatory Excellence in Aviation Safety and Security"**. This is the vision that is propelling us forward and encouraging us to conduct our business in accordance with global best practices - all in the interest of developing a better, safe and secure aviation industry in South Africa.

In order to effectively and consistently oversee the industry that we are mandated to regulate, we have, over the past two years, invested most of our energies and abilities in developing all the necessary legal instruments. We have therefore developed relevant policies and regulations to bring certainty, transparency and consistency to the aviation industry. In order to avoid confusion and criticism by the industry, our regulatory framework needs to be clear, so as to win increased co-operation and voluntary compliance from the industry.

Industry Consultation

Our constant interaction and communication brought confidence to the industry and assured the aviation community of our openness and responsiveness to their needs and aspirations.

As a forward-looking organization, we need to keep abreast of the developments around us. Over the next few months, the Board members will visit a number of Civil Aviation Authorities.

We believe that an open exchange of ideas will expose the Board to the best practices in the region and will help forge new alliances. This, we hope, will permeate our strategies and will harmonize our practices and operations with those of our counterparts in other parts of the world.

Supporting National Goals

The Accelerated and Shared Growth Initiative for South Africa (ASGISA) identifies, among others, the efficiency of the national logistics systems and transportation infrastructure as one of the constraints that, if removed, will have a huge impact on the acceleration and sharing of economic growth. The upgrading of major transport infrastructure, particularly airports, will go a long way in ensuring a hassle-free and efficient transport system for the 2010 FIFA World Cup. The Board needs to mobilize resources and ensure that SACAA contributes positively towards the Government's drive for efficient and reliable public transport. We also need to ensure that SACAA interacts with other role players and public entities. Where possible, we need to share resources for the greater good of the country.

Shareholder's Compact and Performance Agreement

We have reviewed the Shareholder's Compact and the Performance Agreement with our shareholder represented by the Department of Transport. Corporate Governance is at the heart of these documents. The Board needs to ensure compliance with the law and other directives that are issued from time to time by the Government. We are confident that these documents will help us focus our energies on the achievement of our mandate and will strengthen our relationship with our shareholder. The Board needs to propel SACAA in the right direction, and these documents have to be reflective of our aspirations to realize the broader societal goals.

A Formidable Team

I believe that SACAA is home to a vast base of knowledge and intellectual capital. Our engineers, inspectors and all the other specialists in the organization are our most important resources moving the organization forward.





Their unselfish efforts to make SACAA a better organization, as well as to render quality services to the industry are highly appreciated. I believe that under the dynamic leadership of the current Chief Executive Officer, Zakes Myeza, together with his management team, a new SACAA is in the making.

Existing Vacancies

Despite our hard work and commitment, there are challenges that still lie ahead. In order to resource the organization appropriately, SACAA has identified a number of critical vacancies that need to be filled in the near future. A vigorous recruitment process is currently underway, and we are hopeful that we will be able to attract and retain the best people with the necessary skills and knowledge. This will inevitably go a long way in enhancing our service delivery and improving our customer service.

Acknowledgement

SACAA enjoys the support of its shareholder, the Department of Transport, which continues to play an active and crucial role in the affairs and business of SACAA.

We also value and cherish the relationship that we have with the industry, as well as the support that the industry has afforded us. As a growing organization, SACAA will welcome constructive criticism from the industry, rather than shy away from it.

We believe that through frank discussions and meaningful engagement with the industry, our objective of raising the bar on aviation safety and security can be easily achieved.

Last but not least, the employees of SACAA have been very supportive of our efforts to build a new organization. I therefore wish to convey my sincere gratitude to them for their hard work, dedication and commitment. We look forward to having yet another fruitful year.

Duke Moorosi
Chairman



2. CEO's Report



Introduction

The past year was very challenging for SACAA, as we had a daunting task in re-building the organization and improving its overall efficiency and effectiveness. Writing this report has given me an opportunity to take stock of all that has occurred in the organization, negative and positive. It is very encouraging to note that we have registered more positives than negatives. It is indeed very fulfilling when we look back to see the fruits of our hard work.

Strategy Development

As a learning organization we also had to review the organizational strategy, both to check if it was still enabling us to deliver on our mandate, and also to address a number of challenges that we experienced during the year.

As a result of the exercise alluded to above, a new set of strategic objectives was identified, as well as key areas that needed immediate and urgent attention, amongst these being the recruitment of suitably qualified and skilled personnel.

In addition to having a new strategy in place, each department within SACAA was also required to develop its own scorecard, which was ultimately cascaded down to all employees, from Executives to junior personnel. Scorecards are designed to give departments and individuals strategic direction, but also to point them at areas where they need to achieve, in support of the overall organizational strategy. In addition to that, scorecards are also the basis for the newly implemented Performance Management System (PMS).

Towards an AI CAA

In June 2006 we launched a renewal project called "Towards an AI CAA". This project has four main objectives, namely:

- To raise the bar on aviation safety and security;
- To deliver superior customer service all the time;
- To transform SACAA into a professional, efficient and effective organization; and
- To make SACAA an employer of choice.

On a short-term basis, the project was also aimed at preparing the organization for the ICAO and FAA audits, which took place in July / August 2007. I am pleased to announce that the preliminary outcome of the ICAO audit was positive when compared with the top performing countries in the world. This essentially means that South Africa's aviation community is on par with the best in the world. The post-audit phase of the ICAO audit extends to March 2008, after which a final report will be made public. As is always the case with any audit, we have a few areas that we need to address, and this will be done through the development and implementation of a Corrective Action Plan.

We believe that these audits gave us a wonderful opportunity to improve our operations, in order to take aviation safety and security in South Africa to new levels.

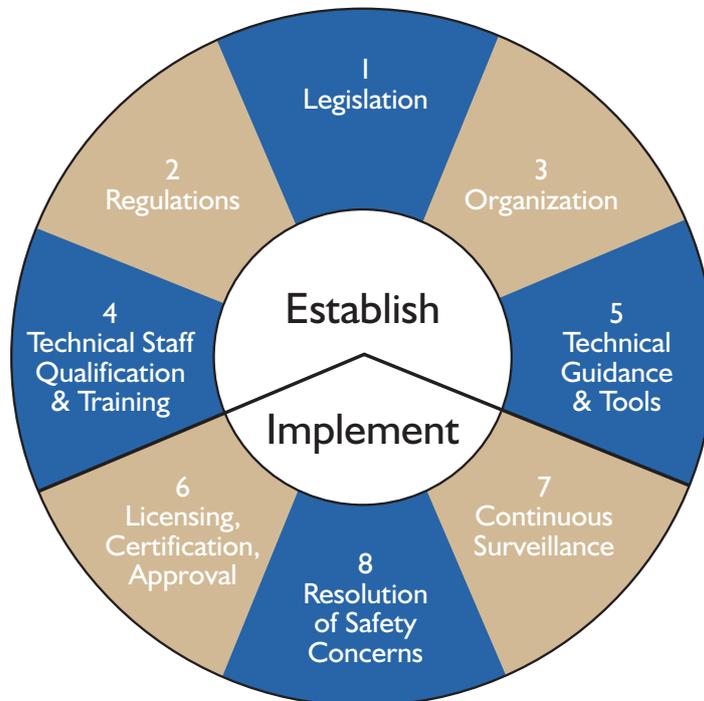
The FAA will be submitting to South Africa their report sometime in September 2007 and we can only hope for a positive outcome.

For this success I want to credit my team, who worked tirelessly and often under immense pressure to ensure that SACAA was well prepared and ready for the audits. With the 2010 FIFA Soccer World Cup approaching fast, we could not afford to fail the country. I would also like to thank everyone from the industry who offered support and assistance, in whatever form, for making this a success, which is a victory for the entire civil aviation community and, inevitably, for the rest of South Africa.

However, we will not remain complacent and fold our arms. We still have a number of challenges that we need to address in order to build a progressive, dynamic and forward-looking organization. Our search for global best practices has not come to an end. The journey towards achieving world-class excellence continues...



Critical Elements of a State's Safety Oversight System



Excellence in Client Service and Service Delivery

In general, SACAA's relationship with the civil aviation industry has seen a remarkable improvement. The industry's willingness to co-operate and support the initiatives of the organization can only spell success for all our efforts.

This was made possible by a strategy of continuous engagement, communication and frank discussions with the industry on critical issues affecting them. As the CEO of the organization, I have made it my personal commitment to improve the customer service delivery environment within SACAA, and I have a management team that is fully behind me to catapult service delivery to new levels. I believe that one way of regaining our credibility with the industry and winning public confidence is to carry out our mandate effectively, and client service is one of the fundamental pillars of that mandate.

The Board approved a budget for the implementation of a new PABX system, which will contribute positively to our efforts to improve service delivery.

This project will be finalized by the end of September 2007 and we hope that our clients and the aviation community in general will benefit from this strategic move.

Formidable Human Capital

During the period under review, the civil aviation industry experienced significant growth, which necessitated an increase in oversight activities by SACAA. In order to cope with this increase, SACAA embarked on a major recruitment drive to increase our technical expertise in order to oversee the industry comprehensively and to assist it to achieve full compliance, all in the interest of raising the bar on aviation safety and security. This has had a positive impact on SACAA's overall service delivery, although there is still room for improvement in certain areas. The challenge of skills shortages in our industry is one that is felt on a global scale. This means we are competing for skilled labour at a global level and the relative weakness of the South African currency exacerbates this challenge for us.



Performance Management System

On a more negative note, the SACAA and the industry had to survive a three-day industrial strike which thankfully resulted in minimal disruption of our services. The management team stood together at that difficult time to ensure that our clients were properly served. At the centre of this industrial action was the introduction of a new Performance Management System with the aim of inculcating a high performance culture within SACAA. We have seen the roll-out of this system and I am happy to announce that we have successfully concluded its first cycle and have moved into the second cycle, which promises to run even smoother.

Revised Organizational Structure

The Board approved a re-focused organizational structure that supports our long-term strategy and is ideal in dealing with our day-to-day challenges. The SACAA is implementing its long-term strategy of recruiting and retaining more skilled technical personnel, the primary aim being to capacitate itself in light of growing industry needs.

A Major Overhaul of Surveillance / Oversight Programmes

The AI Project has enabled us to improve our surveillance / oversight programme quite significantly, both in terms of depth and scope, in order to ensure a safe and secure aviation environment in South Africa. This was partly made possible by an increase of nearly 30% to SACAA's technical staffing levels. This will obviously improve further as we get more skilled and technical personnel on board.

Involvement in the SADC Region

SACAA is spearheading a campaign to harmonize civil aviation standards within the SADC Region. One of SACAA's strategic objectives is to assist the Region in harmonizing the standards and giving technical assistance to others in the SADC region. With the experience and expertise possessed by the personnel of SACAA, the harmonization of standards could be a prelude to the freeing of the skies not only in the Region but also throughout the Continent.





Regulations Development

During the past financial year we worked around the clock, not only to ensure readiness for ICAO and FAA audits, but also to ensure that we have an appropriate regulatory framework, in the form of Acts, Regulations and Technical Standards, which is in line with ICAO's Standards and Recommended Practices.

New regulations were developed, and a number of them promulgated, the most important ones being:

- Part 24: Airworthiness Standards: Non-Type Certificated Aircraft;
- Part 48: Leasing of Aircraft;
- Part 61: Personnel Licensing;
- Part 62: National Licensing;
- Part 94: Operation of NTCA;
- Part 96: Commercial Operation of NTCA;
- Part 108: Air Cargo Security; and
- Part 185: Fine Structure.

Other regulations were amended to ensure that they are up to date with recent developments in aviation, such as those dealing with Global Navigation Satellite System (GNSS) and Reduced Vertical Separation Minima (RVSM).

The feedback we have received from the ICAO audit team was positive. In general, other than concerns raised on the role of the Commissioner, ICAO is happy with our legal framework. Our focus in this financial year is to ensure effective implementation and clear the backlog.

Conclusion

I would like to thank the Board of SACAA for the support they have offered me during my first year as CEO. Their commitment to building a new organization is highly appreciated.

I would also like to thank all SACAA staff for their contribution to what has been a year of hard work and achievement. We have seen some real and practical changes to the service delivery environment, but a lot still needs to be done to enable us to take the organization where we want it to be. I congratulate all our people, who, despite all the pressures exerted on them during the period under review, continued

to maintain a dedicated and professional approach to their responsibilities, in the interest of developing a spirit of renewal and revitalization.

Lastly, I would like to thank the shareholder, the Department of Transport, for their critical support role during the challenging organizational turnaround phase.

The strategic direction of SACAA is now clear and firmly established, our efficiency and effectiveness continue to grow, and our professional relationship with the aviation industry is moving to a more mature level. Most importantly, we have a clear strategy for the delivery of significantly better aviation safety outcomes. Together with the aviation industry, we share the very serious responsibility of ensuring that our skies are safe. I believe SACAA is well placed to meet that challenge.

Zakes Myeza
Chief Executive Officer



3. Corporate Governance



Corporate Governance in the South African Civil Aviation Authority is subject to the provisions of the Shareholder's Compact and Performance Agreement with the Department of Transport. The Performance Agreement is based on the Protocol on Corporate Governance in the Public Sector, 2002, the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the relevant regulations promulgated from time to time by National Treasury in terms of the PFMA. The Performance Agreement sets out specific performance indicators, targets and measurements in line with the principles set out in the Shareholder's Compact. The recommendations of the King Report on Corporate Governance for South Africa, 2002, have been incorporated and assimilated into the Shareholder's Compact and the Performance Agreement. SACAA complies with the Protocol of Corporate Governance in the Public Sector, the King Code and all the relevant legislation. SACAA is keeping track of the developments and reforms in the Companies Act and, where relevant, harmonizes its activities and practices with these developments.

The Shareholder's Compact is reviewed annually and a draft Shareholder's Compact is submitted to the Director General for Transport for the purpose of reviewing and negotiating this document for the following year. The aim of the Shareholder's Compact is to regulate the working relationship between the Minister, as Executive Authority, and the Board, pursuant to the provisions of the PFMA, Companies Act, 1973 (Act No. 61 of 1973) and the South African Civil Aviation Act, 1998 (Act No. 40 of 1998) (Civil Aviation Act).

Board of Directors

During the financial year under review, the Board consisted of five (5) non-executive directors and the Chief Executive Officer (CEO). The current three-year term of the existing Board will expire on 1 May 2008. At the expiry of the term, the Minister may elect to appoint new members or re-appoint the current Board members. On the other hand he may also decide to retain some members and appoint new ones to bring fresh and new ideas into the Board whilst ensuring continuity.

The Board is accountable to the Minister of Transport for the proper functioning and performance of SACAA. The Chairperson of the Board is a non-executive member appointed by the Minister and the position of Chairperson is distinct and separate from that of CEO. The CEO is accountable to the Board and his or her overarching role is to ensure that SACAA is run efficiently and effectively and in accordance with the strategic decisions of the Board.

The Board annually reviews its skills and training requirements and all members are registered with the Institute of Directors. The Board members attended various courses and training programmes during the year, particularly in corporate governance and related fields, to enhance their knowledge and expertise and to ensure that the Board has a pool of the required skills and expertise. The Board members will conduct an appraisal to evaluate the Board's performance against the pre-determined objectives. This will allow them to identify gaps and to ensure that corrective action is taken in time. The Board will put in place a succession plan to ensure continuity.



The Board is, through the office of the Company Secretary, kept abreast of all the relevant legal and regulatory developments. The Board complies timeously with all the requirements of the PFMA and any other relevant Acts, and has, during the financial year under review, submitted all the relevant information to the National Treasury and the Department of Transport as required in terms of the PFMA and the Civil Aviation Act.



The Board always maintains the highest standards of integrity, responsibility and accountability to ensure that it finds a fair balance between conforming to corporate governance principles and the performance of SACAA. To ensure effective governance processes, all members of the Board are required to complete a declaration of interest form. A register is available at each Full Board meeting and the members are expected to update their declarations if relevant.

The Board met and approved the Annual Strategic Plan for SACAA. The following actions were prioritized:

- Undergoing and passing the July 2007 ICAO and FAA audits;
- Approving and implementing a new organizational structure;
- Building and populating the technical and managerial staff and skills levels;
- Implementing a Performance Management System (PMS) and setting meaningful targets; and
- Putting in place a Risk Management Plan.

Subject to the provisions of the Civil Aviation Act and the Shareholder's Compact, the Board has established Sub-Committees to improve its effectiveness. Each Committee has detailed terms of reference, which were approved during the current financial year and are reviewed on an annual basis.

The Board adhered to the terms of reference during the year under review. The SACAA Board has the following sub-committees:

(i) Finance and Audit Committee

The functions of the Finance and Audit Committee are detailed in the relevant terms of reference. This Committee consists of three (3) non-executive members and the CEO. The Committee suggested the appointment of an additional Committee member with extensive experience in Risk Management and a request to appoint an additional member of the Board is currently with the Department of Transport for approval.

The Committee ensures the effectiveness of both the internal and external audit functions and ensures that the internal auditors and external auditors are appointed. Enterprise-wide Risk Management is being implemented across SACAA, and a service provider was appointed and is currently developing an Enterprise-wide Risk Management Plan for SACAA.

The Committee is in the final phase of developing a detailed delegation of authority. A delegation of authority will bring efficiency to the decision-making process in SACAA, and will ensure maximum administrative and operational efficiency. The Committee is further busy with a review of the procurement policies and processes and will shortly make a recommendation to the Board.

The Tender Committee submits all the relevant reports to this Committee for approval.

(ii) Human Resources and Remuneration Committee

This Committee consists of three (3) non-executive members and the CEO. The Committee meets quarterly to review, among others, the overall remuneration strategy of SACAA and facilitates the implementation of a Performance Management System within SACAA. The Committee facilitated the strategic planning process for the organization and ensured the development of a comprehensive Human Resources (HR) strategy. The HR and Remuneration Committee approves all the HR-related policies, and makes any relevant recommendation regarding HR matters to the Board.

During the financial year under review, the Committee reviewed its terms of reference and presented them to the Board for approval. It also reviewed the policy on the submission of staff declaration forms.

The Committee amended the structure of SACAA in order to align the organization to the strategic plan and this was approved by the Board.

A number of key executive and managerial positions are currently being filled.



(iii) Safety Committee

This Committee consists of three (3) non-executive members and the CEO. The Committee verified that accident reports have been drafted according to technical standards. The Occurrence Investigations Department reports functionally to the Safety Committee and administratively to the CEO. The Committee reviews policy amendments to aviation legislation and deals with policy and strategic matters affecting aviation safety and security. The Committee facilitated the development of a Disaster Policy, which is in the final phases of completion. The Committee also revived the Enforcement Committee to ensure compliance with ICAO Standards and Recommended Practices (SARPS) and to reinforce its enforcement mechanism.

The Committee also monitors the effectiveness of safety and security oversight programmes, and gives guidance on how to improve them. It considers and approves periodic reports on safety and security, and provides guidance on matters of litigation that may have a significant impact on SACAA or its abilities to carry out its mandate. The Committee also reviews quarterly progress reports to monitor the progress of civil aviation regulations development within the organization.

The Commissioner

In terms of the Civil Aviation Act, 1962 (Act No. 74 of 1962), the Minister appoints a Commissioner whose role and duties are set out in the Act and include, among others, the following:

- Designating persons in the service of SACAA as inspectors or authorized officers; and
- Designating persons who are not in the services of SACAA as authorized persons.

The Commissioner, who is also an employee of SACAA, works in close co-operation with the CEO and other functionaries of SACAA, and his activities and functions are in line with the Civil Aviation Regulations and the relevant Technical Standards.

Following on from both ICAO and FAA audit findings, the role of the Commissioner within the aviation organizational structure will have to be reviewed and clarified.





Board Meeting Attendance for the period 1 April 2006 to 31 March 2007

Type of Meeting:	Safety Committee	Finance & Audit Committee	HR & Remuneration Committee	Board
Total Meetings	4	7 (of which 3 were special meetings)	4	6 (of which 3 were special meetings)
Attendance				
Mr D Moorosi	4 (member)	5 (invited)	3 (invited)	5 (Chairperson)
Mr J Morrison	4 (member)	3 (member)	1 (invited)	6 (member)
Ms B Mohlala	1 (invited)	5 (member)	4 (Chairperson)	4 (member)
Genl T Ntsibande	4 (Chairperson)	1 (invited)	4 (member)	5 (member)
Ms M Magasa	0 (invited)	7 (Chairperson)	1 (member)	5 (member)
Mr Z Myeza	4 (member)	7 (member)	4 (member)	6 (member)

Board of Directors



From left to right:

Mr Duke Moorosi: Chairperson of the Board

Mr Zakes Myeza: Chief Executive Officer

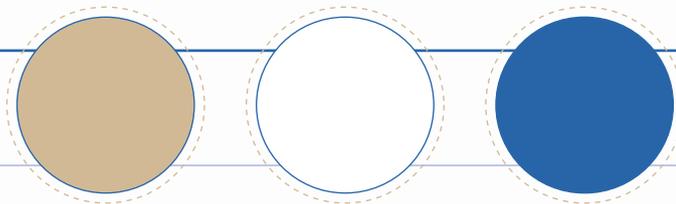
Ms Bridget Mohlala: Chairperson of HR and Remuneration Committee

Mr John Morrison: Member of the Board

Ms Malebo Magasa: Chairperson of Finance and Audit Committee

Major General Themba Ntsibande: Chairperson of Safety Committee





Executive Management Team



From left to right:

Mr Zakes Myeza: Chief Executive Officer

Mr Ntheri Magoai: Executive Manager, Legal Services

Mr Gilbert Thwala: Executive Manager, Occurrence Investigations

Mr Mohau Motake: Company Secretary

Mr Sphelo Ntaka: Executive Manager, CEO's Office

Ms Poppy Khoza: Acting General Manager, Aviation Security

Mr Obert Chakarisa: Acting General Manager, Air Safety Operations

Mr Gawie Bestbier: Acting General Manager, Air Safety Infrastructure and Commissioner for Civil Aviation

4. Operational Review: Core Departments



4.1. Air Safety Operations Department (ASO)

4.1.1. Overview of the Department

The main function of the Air Safety Operations Department (ASO) is to carry out a variety of safety oversight activities within the civil aviation industry, as outlined by the following ICAO annexes:

- Annex 1: Personnel Licensing;
- Annex 2: Rules of the Air;
- Annex 5: Units of Measurement to be used in Air and Ground Operations;
- Annex 6: Operation of Aircraft;
- Annex 7: Aircraft Nationality and Registration Markings;
- Annex 8: Airworthiness of Aircraft; and
- Annex 16: Environmental Protection.

4.1.2. Divisions in the ASO Department

The ASO Department consists of the following five divisions, each having a specific function to perform:

- Aircraft Certification;
- Aircraft Airworthiness;
- Flight Operations;
- Aviation Personnel Standards and
- Aviation Medicine.

4.1.3. Departmental Achievements

The year under review was the most strenuous for the department and indeed for the entire organization. The department underwent a comprehensive operational review and overhaul as part of its preparations for the International Civil Aviation Organization (ICAO) Universal Safety Oversight Audit Programme (USOAP) as well as the Federal Aviation Administration (FAA) International Aviation Safety Assessment (IASA) audit.



Nonetheless, a number of achievements were notched by the department, which can be summarized as follows:

- **Addressing the FAA Recommendations**

The department worked successfully with the Federal Aviation Administration (FAA) to address the majority of recommendations that were put forward by the FAA during its technical review of SACAA in June 2006. Most of these were in the areas of Flight Operations, Airworthiness, Certification and Personnel Licensing (ICAO Annexes 1, 6 and 8).

- **Introduction and Implementation of New Technical Guidance Material**

In order to ensure that approvals issued by SACAA meet ICAO and international best practices, the department developed new sets of Technical Guidance Material in all the different disciplines in the department. Upon review of the newly developed Technical Guidance Material, the FAA Technical Assistance Team confirmed that the documentation meet international standards.

- **Increased Technical Personnel (permanent and part time)**

More technical personnel, particularly inspectors, were employed in the various divisions of the department in order to improve the level, scope and depth of our oversight activities. We believe that improved oversight will ultimately lead to improved levels of aviation safety in the country.



- **NTCA Strategy Formulation**

The department led an internal task team that formulated the strategic direction regarding the oversight of Non-Type Certificated Aircraft (NTCA). This strategy sought to designate a body in the industry to oversee certain elements of the NTCA sector. This move was meant to ensure that SACAA was not over-regulating this industry, thereby possibly hindering its growth and development. To that end, SACAA is still in the process of finalizing the designation of the preferred industry body.

- **AVMED Strategy Formulation**

The department was also able to develop an Aviation Medicine Strategy, which sought to enable SACAA to assume total control of the Aviation Medicine oversight, as well as designate certain bodies to perform certain functions on behalf of SACAA.

- **Development of a Surveillance Programme**

An in-house surveillance programme was successfully developed and implemented, which is meant to properly capture all inspections and audits performed on the different industry organizations approved by SACAA. This new tool will now assist SACAA in conducting trend analysis and giving more attention to areas that seem to be problematic.

- **Aircraft Register Clean-Up Project**

In order to ensure that the organization has correct aircraft numbers, the department established a project that made huge progress in cleaning up the aircraft register by deleting inactive aircraft from the register. The project has already been extended in order to ensure that the required regulatory amendments to Civil Aviation Regulations Part 47 are promulgated and implemented as a matter of urgency.

- **Co-ordination of the National Aviation Disaster Forum**

The department continues to lead the National Aviation Disaster Forum that seeks to introduce regulatory changes that will ensure clear demarcation of roles in case of an aviation disaster occurring in the country. The proposed regulatory amendments have already been drafted and

are in the process of being tabled before the Civil Aviation Regulatory Committee (CARCOM) for approval before being forwarded to the Board and then the Commissioner and Minister of Transport for promulgation.

- **ICAO and FAA Audit Preparations**

A lot of departmental energy also went into preparing for both the ICAO and FAA audits, which were scheduled to take place in July 2007. Such preparations were very extensive and included resolving all the previous ICAO audit findings as well as generally ensuring that our oversight system was in line with ICAO standards.

- **Achievement of our Surveillance Targets**

Most of our surveillance targets, mainly in the areas of inspections, were achieved as planned, and in some instances exceeded. Variances only occurred where there was a shortage of inspectors to conduct such inspections, but these are now being addressed as more technical personnel are being employed to address this shortfall. Repeat inspections were also conducted where non-compliances were identified to ensure that these were addressed.

4.1.4. Departmental Challenges

During the year under review, the department faced many challenges, which are summarized below:

- **Implementation of New Technical Guidance Material**

Whilst very good Technical Guidance Material have been developed, the department faces the challenge of speedily implementing them industry-wide. In addition, the department faces the challenge of ensuring that all the technical inspectors fully understand the requirements of the new Technical Guidance Material. To resolve this problem, the department has developed an implementation plan that will ensure full compliance by the industry to the new Technical Guidance Material within a 12-month period. In addition, training sessions were held in the department to ensure that all inspectors fully understand the requirements of the new Technical Guidance Material.



- **Oversight of SA Operators Based in Foreign Countries**

More and more South African operators are conducting their businesses in foreign countries, especially in the African continent. The challenge that faces SACAA is to ensure that such operators are properly overseen at the bases of their operations. To alleviate this problem, SACAA is, where possible, entering into Memoranda of Understanding (MOUs) with the countries where our operators are conducting business to oversee them on our behalf. We also send inspectors, where possible, to conduct surveillance inspections over and above the mandatory renewal audits.

- **Oversight of Ex-Military Aircraft**

Recently, there has been a huge influx of ex-military aircraft into the civil aviation arena. Such a development has left SACAA with a huge challenge to improve its oversight systems to cater for such products. However, relevant Parts of our Civil Aviation Regulations (CARS) have been and are being amended in order to cater for the oversight of such ex-military aircraft.

- **Standardization of our Private Pilot Licence Examinations**

Until recently, the examinations for the Private Pilot Licence (PPL) have been conducted at each respective Aviation Training Organization (ATO). This situation resulted in different standards being implemented at each ATO, with regard to the issuing of a Private Pilot License.

In order to address this inconsistency, the department introduced a new system where all the PPL examinations will be standardized and undertaken under the control and auspices of SACAA. A number of ATOs have already been accredited to conduct SACAA controlled and web-based PPL examinations.

4.1.5. Departmental Future Plans

As part of our immediate future plans, the department will be focusing on the following key areas:

- Being consistent in the way we interact with the different industry players;
- Conducting trend analysis from our inspections with a view to improving on our country's aviation safety records;
- Recruiting more technical and skilled staff in the areas of Flight Operations and Aviation Medicine;
- Improving our oversight of South African operators conducting their business in foreign countries;
- Engaging with our counterparts in the SADC region in order to improve regional safety standards; and
- Improving our image with the industry through the provision of superior client service.





4.2. Air Safety Infrastructure Department (ASI)

4.2.1. Overview of the Department

The Air Safety Infrastructure Department consists of one functional division and two sections, namely: Aerodrome Safety Compliance, Air Traffic Services (ATS) and Aeronautical Information Services (AIS).

The Aerodrome Safety Compliance division is responsible for regulating and monitoring compliance to Part 139 of the Civil Aviation Regulations (Aerodromes and Helistops: Licensing and Operation) on all the 134 licensed aerodromes countrywide, while Air Traffic Services is responsible for approving and monitoring the provision of Air Traffic Services at 21 South African airports, airspace management, the provision of instrument flight procedures and aeronautical charts, and the licensing of ATS personnel.

Aeronautical Information Services, on the other hand, is responsible for providing aeronautical information necessary for the safety, regularity and efficiency of air navigation. In meeting this mandate, AIS disseminates aeronautical information concerning the entire territory of South Africa in accordance with the Standards and Recommended Practices (SARPS) of the International Civil Aviation Organisation (ICAO).

4.2.2. Achievements

- All the major targets for the year were achieved, such as aerodrome inspections and surveillance, inspections of Air Traffic Service Units and the dissemination of the required aeronautical information to the aviation community. Ad hoc and follow-up inspections were also conducted to ensure compliance but also to assist our stakeholders to enhance their safety standards.
- The department participated in a number of ICAO workshops and working groups, such as the ICAO workshop on the establishment of a Centralized African Indian Region (AFI) Aeronautical Information Services Database, similar to the European Aeronautical Database (EAD); ICAO task force on Reduced Vertical Separation Minima (RVSM) and the ICAO Worldwide Symposium on the Performance of Air Navigation Systems.

- A new part to the regulations, Part 171, which deals with Navigation Aids, was drafted and went through the statutory consultative and approval processes and has been promulgated. CARS Part 139 and CATS- AH were also revisited and at the time of this report were in the final draft stages.
- The department, through the ATS section, co-ordinated four National Airspace Committee (NASCOM) meetings, and provided a secretariat service. The Committee discussed various issues, largely pertaining to the revision of existing controlled airspace, such as at Polokwane and George.



4.2.3. Current Challenges

• National Environmental Management Act

In terms of the new National Environmental Management Act, there seems to be a conflict of roles between the Department of Environmental Affairs and Tourism (DEAT) and the Department of Transport (DOT). This conflict needs to be addressed as speedily as possible in the interests of the civil aviation industry. SACAA has therefore been requested by the industry to look into this matter and forward proposals to the Minister of Transport, highlighting problems and challenges, and proposed solutions.



- **The ICAO Rescue and Fire Fighting Requirements**

The ICAO Rescue and Fire Fighting requirements are found to be commercially restrictive on small aerodromes and, in some cases, hinder the operations of tourist charters. A re-assessment of the domestic requirements, together with the need for industry development, will be conducted in the next financial year.



- **Continued growth of helistops**

There has been a continued growth of helistops, especially in urban areas. A safety concern that has been raised is that a situation may arise where helicopter accidents start occurring in residential areas, if the situation is not carefully controlled. To alleviate this challenge, the Aerodrome Safety Compliance division has commenced with reviewing and rewriting the necessary technical standards to ensure that users of these helistops adhere to more stringent safety requirements.

- **The changing landscape of Aeronautical Information Services**

The role and importance of aeronautical information / data has changed significantly with the implementation of area navigation and airborne required navigation systems. In view of these changes, AIS will therefore have to be transformed from being the “traditional AIS” to being the “management of aeronautical information”.

- **Implementation of Reduced Vertical Separation Minima (RVSM)**

The implementation of RVSM in South African airspace still remains a challenge, as it is totally dependant on other parts of Africa being ready to implement this ICAO requirement. Implementation has to be done simultaneously with our neighbours, in order to ensure that the airspace is continuous. Safety concerns have to be taken into consideration before any decision can be made on RVSM.

This, unfortunately, has made certain sections of our industry unhappy because of the huge financial resources they have invested in order to be RVSM compliant, only to find that the rest of the African continent is not ready.

- **Implementation of the Global Navigation Satellite System (GNSS)**

The implementation of GNSS approach procedures at all major aerodromes in South Africa still remains a challenge, as the concept is still brand new in the country. This entails the implementation of new regulations and technical standards, as well as training of pilots and Air Traffic Services personnel. GNSS implementation will also entail the publication of new flight procedures, which are different from existing ones.





4.2.4. Future Plans

- **Assisting aerodromes to implement Safety Management System (SMS)**

The department will continue assisting all our clients, particularly aerodromes, in the implementation and adoption of the new ICAO Safety Management System (SMS).

- **National training standard for Rescue and Firefighting personnel**

A process is currently underway to develop a national training standard for Rescue and Firefighting personnel. We expect to finalize this process by the end of the 2007 calendar year.

- **Availability of aeronautical information in appropriate format**

SACAA will have to find a balanced transition from paper to paperless publication with due consideration of users' needs.

Possible dissemination of aeronautical information in electronic format is also being investigated, although hard copies will still be available to those clients or users who do not have access to electronic media or who prefer hard copies.

- **Air Traffic Management**

New and more cost-effective means of surveillance and separation for air traffic management purposes are being assessed. These include the possible use of Multilateration with altitude encoding transponders, Primary Surveillance Radars (PSR) versus Secondary Surveillance Radars (SSR), and Automatic Dependent Surveillance-Broadcast (ADS-B).





4.3. Aviation Security Department (AVSEC)

4.3.1. Overview of the Department

The Aviation Security Department (AVSEC) was established to oversee aviation security in the Republic of South Africa and its borders, particularly at airports, among airline and cargo operators, as well as to oversee the safe transportation of dangerous goods. AVSEC has an obligation to also ensure that all stakeholders comply with the relevant regulations and standards pertaining to aviation security.

4.3.2. Achievements

The year under review was quite a challenging period but also exciting. The achievements realized by this department include the following:

- In August 2006, the International Civil Aviation Organization (ICAO) conducted a state audit on aviation security in South Africa, which was conducted specifically on SACAA, ACSA, South African Airways and Interlink Airlines. The feedback received from the ICAO team about the state of aviation security in South Africa was overwhelmingly positive and encouraging, which essentially means South Africa is among the best in the world on issues of aviation security. The ICAO team conducting the audit was extremely impressed with the amount of work that has already been done in this area, as well as the level of sophistication of South Africa's aviation security systems and measures. In their report, the ICAO team stated that "South Africa has far exceeded the ICAO standards, and nothing needs to be implemented as a matter of urgency. Overall, there were very few recommendations, and it is the first time that we have come across this".
- The US Transport Security Administration (TSA) conducted an audit in January 2007. Again, the outcome of that audit was very positive, once again confirming that our aviation security standards in South Africa are on par with international standards.
- All scheduled and ad hoc inspections (on airports, airlines and cargo operators) were conducted in accordance with our surveillance programme and, in certain instances, targets were exceeded.
- Part 108, which deals with cargo regulations, was approved by both the Ministers of Transport and Finance, thereby giving SACAA proper legal instruments to effectively oversee this section of the industry.
- Cargo Security Technical Standards have been tabled at CARCOM and discussed with the industry. These standards are in the process of being finalized.
- The department conducted workshops with the industry and disseminated the Minimum Air Cargo Security Standards in preparation for the introduction and implementation of Part 108.
- In order to assist the industry to comply with the required aviation security standards, AVSEC took an initiative and conducted relevant avsec training for airlines, which were deficient of the necessary skills pertaining to aviation security.
- In December 2006 AVSEC embarked on a Security Awareness Campaign to educate the flying public about various security issues and what the regulations were expecting from them as users of aviation. This was SACAA's response to a growing trend of bomb threats as well as other aviation security incidents that we experienced in South Africa during the year, committed by ordinary members of the public. The purpose of these campaigns, therefore, was to educate but also warn people about the consequences of making such false threats.
- The department visited the Israeli Security Agency on a benchmarking exercise to learn more about their security measures at airports.
- The department has also developed strong ties and co-operation with the Canadian Air Transport Security Authority to share best practices.



4.3.3. Challenges

- The department needs to recruit sufficient and qualified personnel to accredit and validate regulated agents and all known cargo operators.
- The department needs to fast-track the accreditation of training organizations to ensure that all regulated agents and known cargo operators are trained in accordance with SA-CARS Part 108, Air Cargo Security.
- The roles and responsibilities of the Chief: Aviation Security, following separation from SACAA, need to be clarified and communicated in order to avoid confusion within the industry.
- General Aviation is a sector of the industry that poses a challenge to SACAA, in terms of effective oversight. This sector is generally huge and complicated, and SACAA will have to devise innovative solutions to ensure that our oversight over this sector is as effective and comprehensive as in other sectors of the civil aviation industry.



4.3.4 Future Plans

- The department will intensify and increase the depth and scope of its inspections and surveillance programme to ensure continued compliance by the industry to the relevant safety and security standards.
- We plan to work closely with our industry stakeholders and assist them to ensure smooth and successful implementation of Part 108. A number of workshops will be conducted with the industry to achieve this goal.
- The department will also conduct more and intensive cargo security campaigns with relevant players in the industry to ensure common understanding and adherence to regulations.





4.4. Occurrence Investigations Department (OI)

4.4.1. Overview of the Department

The Occurrence Investigations Department (OI) is responsible for carrying out accident prevention activities in South Africa. This is achieved through:

- Investigating all aircraft accidents and serious incidents;
- Generating safety recommendations from accident reports to prevent recurrence and continually monitoring the implementation of these recommendations;
- Disseminating aviation safety information to the South African aviation industry and informing them about accident rates and trends;
- Promoting aviation safety within the industry and Confidential Aviation Hazard Reporting System (CAHRS); and
- Monitoring and benchmarking accident trends with the international aviation community to make sure that South Africa is on par.

SACAA is mandated to investigate the causes of aircraft accidents and incidents in South Africa under Annex 13 of the ICAO Chicago Convention and Part 12 of the Civil Aviation Regulations. South Africa, as a signatory state to the Chicago

Convention of 7 December 1944, is responsible for adhering to the provision of this Convention. The OI department carries out these activities on behalf of the Department of Transport.

The OI department consists of the following three divisions:

- Accidents Investigation;
- Incidents Investigation; and
- Safety Promotions, which, in the new year, will fall under the Communications division.

The following is a record of activities that took place in the 2006/07 financial year:

4.4.2. Accidents Investigation

The Internal Accident Review Board (IARB) met 16 times during the year. A total of 90 accident reports were approved and 154 safety recommendations (SR) were forwarded to the Commissioner for Civil Aviation. The quality of written reports did not improve significantly, as the department was unable to appoint staff to assist in report writing due to budgetary constraints. Staff shortages also resulted in large backlogs.





Aviation Statistics

5-Year Comparison

The table below compares accidents reported during the past five calendar years:

Year	Total Registered Aircraft	Total accidents	% Accidents in relation to Aircraft Register	Total number of fatal accidents	Total number of fatalities
2002	7,927	169	2.13%	19	32
2003	8,403	139	1.65%	17	48
2004	8,822	149	1.68%	17	34
2005	9,314	152	1.63%	18	33
2006	9,782	174	1.78%	29	50

Causal factors

The table below shows the main causal factors of accidents extracted from finalized aircraft accidents:

Broad Causal Factors	2000	2001	2002	2003	2004	2005	2006
Mechanical / Engine/ Powerplant	24	26	29	30	44	36	25
Aircraft Operations Factors	10	7	3	1	7	4	3
Pilot / Flight Crew Factors	92	78	119	122	93	62	117
Maintenance / Servicing Factors	12	9	4	4	5	2	12
Weather-related Factors	12	3	6	6	3	6	11
Collision-related Factors	2	7	10	5	6	10	7
Total Number of Factors	152	130	171	168	158	120	175



4.4.3. Safety Promotions

Regional Safety Seminars

As a follow-up to the National Safety Seminar that was held with the industry in February 2006, whose main purpose was to determine how the accident rate in South Africa could be reduced, the department conducted further regional safety seminars throughout the country with more sectors of the industry. During these seminars a number of specific safety recommendations were put forward by the industry, which were then given to SACAA for implementation. These seminars were highly successful, as the department had the opportunity to get feedback directly from the industry.

Air shows

Through its Safety Promotions division, the OI department actively participated in major air shows, mainly to promote CAHRS but also to disseminate safety messages. As part of SACAA's aviation awareness programme, we also targeted

school learners from previously disadvantaged communities to educate them about the various and exciting career opportunities that exist within the field of civil aviation. The interest we have generated from these campaigns is very encouraging, and this is evidenced by the number of calls or enquires that SACAA receives on a regular basis from learners wanting to know more about careers in aviation.

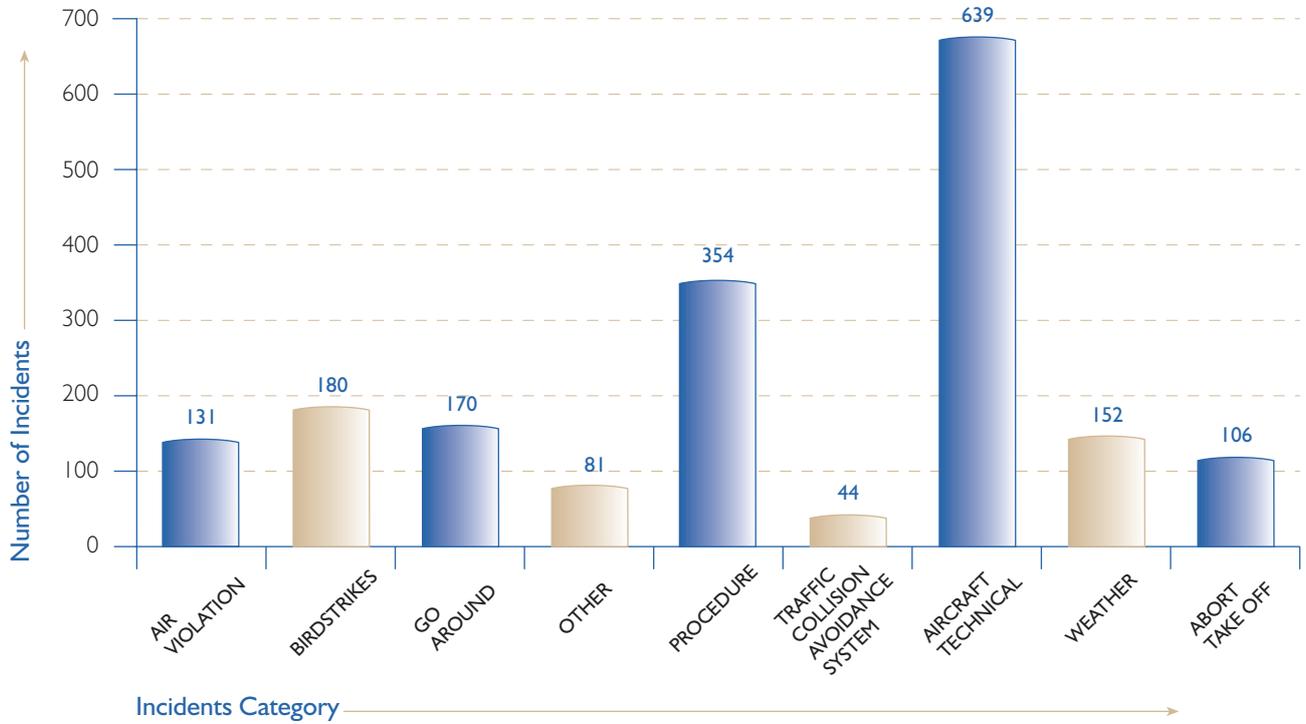
4.4.4. Incidents Investigation

The division receives information on the reported incidents and analyses them. The incident reports are received from Aeronautical Fixed Telecommunication Network (AFTN) and Moseta, from operators and also from other agencies such as Airports Company South Africa (ACSA) and Air Traffic and Navigation Services Company (ATNS). These incidents are then compared with aviation activity during that period. The various graphs alongside show the incidents reported during the year:

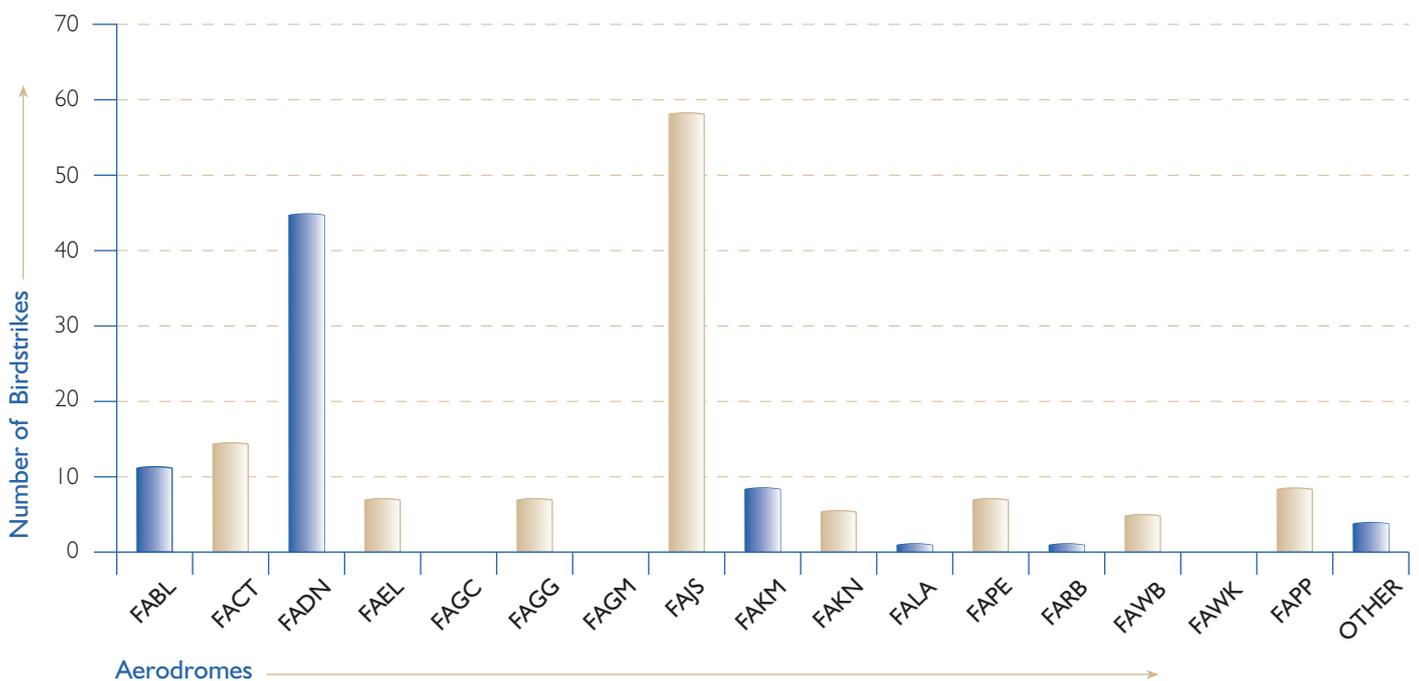




Categories of incidents reported from April 2006 to March 2007

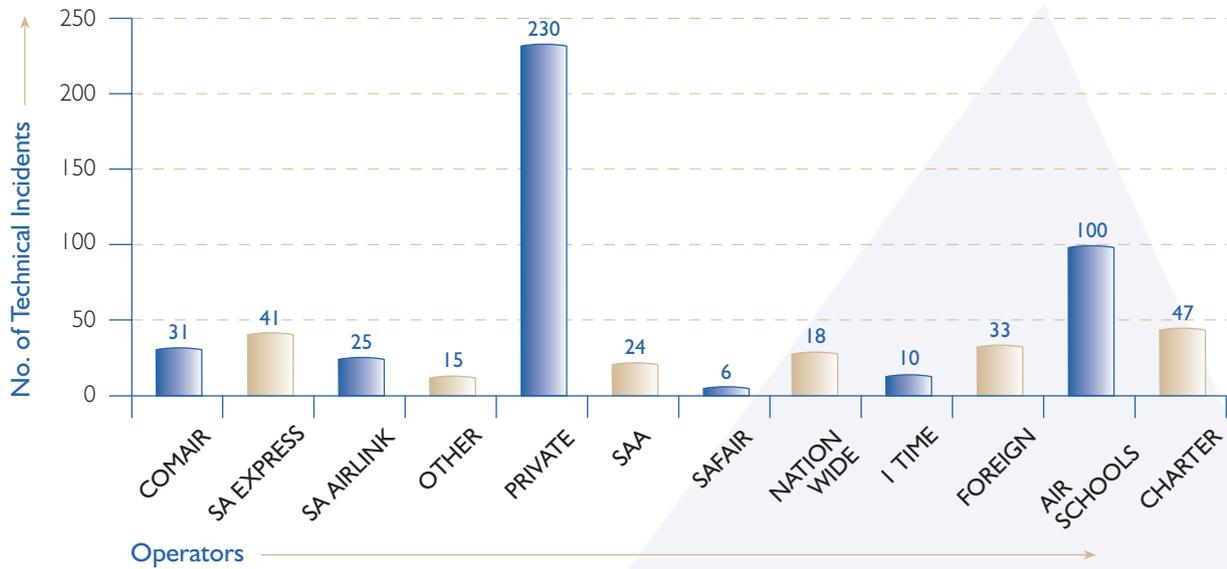


Number of birdstrikes reported at various aerodromes from April 2006 to March 2007

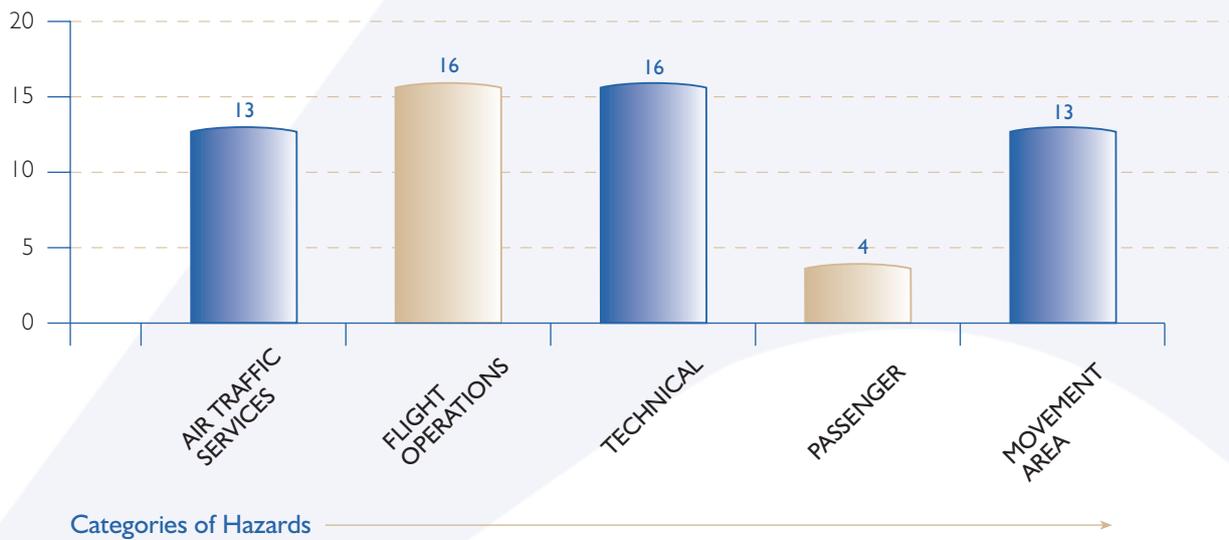




Technical incidents reported by various operators from April 2006 to March 2007



Incidents reported through the Confidential Aviation Hazards Reporting System (CAHRS) from April 2006 to March 2007





4.4.5. International Relationships

The OI Manager and Accident Investigators visited the Mozambique Institute for Civil Aviation to discuss accident matters relating to the investigation and reporting of accidents and incidents. The visit was positive and the two organizations are in a process of signing a working agreement. Future trips will include countries such as Zambia and Angola.

4.4.6. Implementation of the ECCAIRS System

The department has acquired and is in the process of implementing the ECCAIRS system. This is a database system that will enable us to capture all accident and incident statistics. It will enable us to study trends and conduct various forms of research and make safety information readily available.



Once the system is fully implemented, SACAA will be able to share accident and incident related information with other CAAs as well as with ICAO. Before being implemented, the system will have to be customized for local conditions and staff will have to be properly trained on its use.

4.4.7. Counselling services

The OI department identified a need for counselling services for its accident investigators who are constantly exposed to fatal accidents, hence a service provider was brought on board to offer these services. It is indeed good to report that these services have been very effective.



5. Operational Review: Corporate Services



5.1. Human Resources (HR)

5.1.1. Human Resources and Planning

Since the last Annual Report, the Human Resources Division has had to deal with a number of challenges, particularly in the areas of Remuneration and Retention Strategy as well as Performance Management. These challenges were exacerbated by the staff turnover that this division experienced during the year under review.

Subsequent to the Board's approval of the staffing levels for the 2007/08 financial year, the division had to work around the clock to fill a number of vacancies, particularly, the recruitment of technical personnel. This had to be done in order to meet the requirements of ICAO, which was due to audit the organization in July 2007.

Efforts are still underway to fill critical positions in order to improve efficiency and to effectively comply with the international standards and ICAO requirements.

Even though this urgent need to recruit additional technical personnel has resulted in the changing of equity statistics, the employee ratio was standing at 69.3 % Black and 30.7 % White at the end of March 2007.

5.1.2. Employee Relations

During the latter part of the 2006/07 financial year, the organization and organized labour concluded a Bargaining Forum Agreement. It is hoped that this will enhance both the collective bargaining spirit, as well as consultative processes, which are the cornerstones for building harmonious relations between management and organized labour. Salary negotiations for the period 2007/08 were also successfully concluded.

5.1.3. Performance Management System (PMS)

The organization is currently running with the project of rolling out and implementing a Performance Management System. The first assessments were conducted in June and July 2007, and performance bonuses were paid in August 2007. We believe that a fully functional PMS will go a long way in establishing a culture of performance within SACAA.

5.1.4. Human Resources Development

In order to enhance skills development within the organization, there is a concerted effort to develop career paths or ladders, to which training and development will be linked. This will enhance our efforts as encapsulated in our Retention Strategy.

5.1.5. Employee Wellness

The organization has invested in the well-being of its employees by engaging the services of an external service provider to give a 24-hour counselling service to any staff member in need. This is intended to holistically balance both the working life as well as the family life of our employees. This initiative is being co-ordinated by the HR division.

5.1.6. Remuneration System

The HR division is in the process of co-ordinating the alignment of benchmarked remuneration scales with the career paths in order to further the objectives of the Retention Strategy adopted.

5.2. Information Technology (IT)

5.2.1. Overview

The role of the IT Division is to provide effective Information Technology services to internal and external clients of SACAA, as well as to execute an effective IT strategy to support the business objectives of SACAA. The vision of the IT division is to be a customer-focused integrated unit, delivering secure, timely and accurate information, enabling the business to provide services to its clients in an efficient and streamlined fashion regardless of location and time of day.

5.2.2. Achievements

Licensing System

The facility to issue licenses for Aircraft Maintenance Engineers, Cabin Crew and Validations was added to the current Licensing System and is fully operational. The logging and audit trail functions in the Licensing System have been expanded to ensure better control and accountability in the process of the issuing of licenses. Reporting facilities have also been expanded to ensure easy and timely responses to requests for information.



Aircraft Registry System

The issuing of Certificates of Airworthiness has been automated through the Aircraft Registration System to increase the accuracy and the validity of information in the Aircraft Registration System. Various additions and changes were made to the system to increase data integrity and increase the effectiveness of currency fee invoicing. Reporting facilities on the system have also been extended to assist with the delivery of information.

SACAA Projects System

Extensive development was done on the existing SACAA Projects System to improve data integrity in order to close the gap between financial information and projects information in the Airworthiness and Certification divisions. The changes were tested extensively before being rolled out and are fully operational.

Great Plains Financial System

Testing of the new version of the financial system is near completion. This also includes testing of data on SQL 2005 to ensure compliance and debugging.

5.2.3. Challenges

The security of our IT systems has become a fulltime focus as we enter the Information and Communications Technology (ICT) platform of bleeding edge technology. The priority will have to be escalated as we are envisaging Voice Over Internet Protocol (VOIP), which converges voice and data requirements with total dependability on network bandwidth.

5.2.4. Future Plans

Voice Over Internet Protocol (VOIP) Implementation Project

The implementation of the VOIP telephony system requires the replacement of our entire fundamental network equipment and provisions will be made to draft contingency plans for a seamless replacement. The IT division will also have to roll out an internal change management programme in order to acquaint users with the new system.

Examination System

The hardware and software (operating system and database installation) will be the responsibility of IT and upon successful implementation the vendor will be able to complete the server installation requirements.

Development of an IT Strategy

The division is in the process of developing an IT Strategy for the organization, which will be in line with our internal needs and our obligations to deliver superior client service speedily and efficiently. The strategy will also identify strategic areas that we need to focus on as part of our continuous improvement initiatives.

Integration of Systems

SACAA has identified the need to integrate all business applications with the organization's financial system to improve transactional efficiency and effectiveness, but also to avoid duplication of effort. This will ultimately change the way people do things but will also make the management and sharing of information much easier.

5.3. Client Services

The role of Client Services Division is to harmonize the regulatory requirements and customer satisfaction between SACAA and its clients, by effectively implementing and utilizing the internationally recognized Customer Relations Management principles and standards.

The Client Service Centre dealt with a total of 23 409 clients during the year under review, which translates to an average of 1950 clients per month. The busiest month of the year for the Centre was May 2006, in which 2355 clients were served.





In November 2006, SACAA was invited to participate on the Aviation Community website, AVCOM, to provide a forum for the aviation community to pose questions and obtain clarity on matters pertaining to SACAA operations. By the end of March 2007, about 121 topics had been raised and answered.

In order to continue adding value to SACAA operations and improve client services, the division will continually review and streamline new and existing business processes, to ensure maximum affectivity in terms of client interaction.

The procurement of equipment for the implementation of a call centre has been completed. The implementation of the call centre is planned for the 2008/09 financial year, which will go a long way in enhancing our client service and improving customer satisfaction.

5.4. Corporate Services Support

The Corporate Services Support Division consists of three operational units, namely:

- Supply Chain Management and Administration;
- Technical Library; and
- Records Management.

5.4.1. Supply Chain Management and Administration

The mandate of the Supply Chain Management unit is to provide an effective support service to the whole organization through facilities management.

Procurement

The Supply Chain Management function is implemented in line with the policies and Acts governing the procurement of goods and services. SACAA has also adopted and is utilizing the Codes of Conduct for Broad Based Black Economic Empowerment (BBBEE). SACAA's expenditure on Black Economic Empowerment (BEE) procurement during the past financial year was 55.5% of its total expenditure. We achieved this through the implementation of transparent and cost effective methods in line with the Preferential Procurement Act and other Acts governing procurement.

Our current challenges include successful implementation of an E-procurement system, as the system needs to be fully

understood by everyone utilizing it; improving client service to internal and external clients; as well as implementation of a supplier performance management system.

For the coming financial year the division will focus on enforcing effective and efficient procurement control systems, improving our turnaround time for order processing and implementing a zero tolerance for suppliers who are not delivering according to their service level agreements.

5.4.2. Technical Library

The Technical Library is responsible for maintaining an up-to-date library of all relevant aviation documentation required by SACAA personnel to perform their duties in compliance with ICAO Standards and Recommended Practices.

This aviation documentation includes, but is not limited to, the following:

- Required documents for aircraft manufacturers represented in South Africa;
- Required documents for licensed operators in South Africa;
- ICAO reference library; and
- Legislative reference library.

Some of the challenges that we had to deal with during the year were:

- Ensuring amendment status of all documents (paper and electronic) is up to date;
- Transforming from a paper to an electronic library environment;
- Tracking and tracing of library documents; and
- Maintenance of the operator and manufacturer databases.

During the year under review, on-line access was secured with a number of manufacturers. The transformation of the manufacturer library to be 65% electronic based was successfully completed.



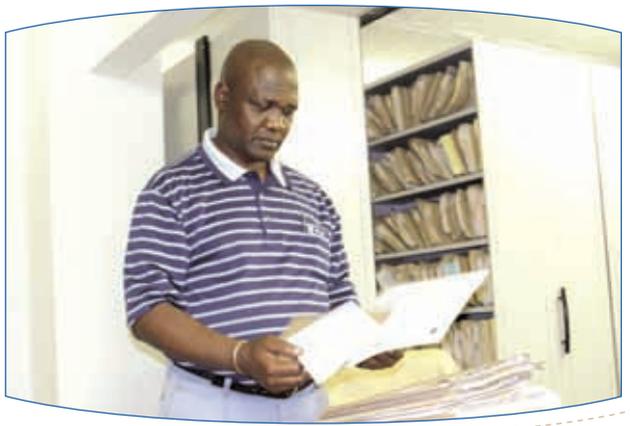
5.4.3. Records Management

The National Archives Act 43 of 1999 (Clause 10.1) states that “the head of a governmental body shall be responsible for ensuring that all records of such a body (i) receive the appropriate care; (ii) are protected by appropriate security measures; and (iii) are managed in terms of standing orders of that body and other relevant legislation”. In fulfilling the provisions of the Act, the Records Management unit manages, controls, preserves and cares for all records within SACAA. It is also responsible for the provision of up-to-date information to all staff and clients.

Although there are pockets of excellence in managing the records of SACAA, the challenge has been to ensure an overall 100% compliance with sound records management principles by all staff within SACAA. The other challenge was to create an awareness that records management is a collective responsibility of all staff, irrespective of their levels.

For the coming financial year, this unit will focus more on the following:

- Developing and implementing a standardized file plan which complies with the National Archives Act;
- Instilling a culture of compliance to sound records management principles within SACAA;
- Increasing awareness of the importance of safeguarding company records through training; and
- Introducing an electronic records management system. This will be followed by the migration from paper-based to electronic records management.



5.5. Finance Division

Achievements

The pricing model was reviewed during the financial year resulting in submission of price increases to the Minister of Transport for approval. The organization is showing a deficit for the current year, despite vast improvements in budget controls due to improved processes to monitor spending in the organization.

Current Challenges

The division has gone through a difficult period due to the loss of key personnel, namely the Chief Financial Officer and the Senior Manager: Finance. Capacity issues in terms of staffing at operational level have also been identified and a plan is underway to fill these senior positions followed by the restructuring of the Finance division.

A project was undertaken to clean up the Aircraft Registry database and some shortcomings were identified, both in terms of the regulations and processes. The Aircraft Registry clean-up project has reiterated the need for integrated systems across the organization.

The management of the organization's dwindling cash resources still remain a challenge.

Future Plans

- The structuring of processes and procedures for improved control environment and delivery of the division.
- To capacitate the division to meet the demands of a growing organization and address challenges identified during recent internal and external audits.
- Implementation of procedures and systems to improve cash management as expenses are increasing exponentially every year while revenue has remained fairly stagnant.
- Development and implementation of effective revenue management policies and procedures.

6. Operational Review: CEO's Office



6.1. Legal Services

The role of Legal Services Division is, among others, to assist the entire organization in addressing the challenges it faces with regard to the regulation of the civil aviation industry and the promotion thereof. The division is primarily responsible for ensuring that an appropriate regulatory framework, in the form of Acts, Regulations and Technical Standards, is developed and kept up to date, in line with ICAO's Standards and Recommended Practices.

The following achievements were realized by the division during the period under review:

- Regulations relating to CARGO Security, Global Navigation Surveillance System (GNSS), Reduced Vertical Separation Minima (RVSM) and General Maintenance of Aircraft were promulgated, and are now in force.
- Regulations relating to Personnel Licensing, Aircraft Leasing, Recreational Licensing, Non-Type Certificated Aircraft and the Fine Structure were forwarded to the Minister of Transport who has since approved them and they were duly gazetted.
- The division has expanded from just three (3) Legal Advisors to six (6), and this will go a long way in ensuring that its responsibilities and tasks are executed proficiently and expeditiously.
- The division has resuscitated the Enforcement Committee and it is now functioning optimally.

Some of the challenges facing the Legal Services division are:

- Fast-tracking the finalization of outstanding legal actions involving the Authority.
- Addressing, through appropriate Regulations, the differences that have been filed with ICAO and that have to be eradicated.
- Improving the division's interaction with the entire organization and ensuring that technical departments, in particular, operate within the legal framework.

In the coming year, the division's focus will be on ensuring that all outstanding proposed regulations are promulgated and

that the differences that have been filed with ICAO and that need to be eradicated, are addressed.

The division will also invest its energies in training and having workshops with Inspectors and / or Authorized Persons entrusted with SACAA to enforce the requirements and standards of the aviation law, in order to, among others, avoid SACAA's exposure to legal liability and to promote civil aviation safety and security in the Republic.

6.2. Quality Assurance (QA)

The Quality Assurance Division (QA) is responsible for establishing and maintaining a Business Management System within SACAA, including a Quality Management System, in order to ensure that all activities carried out by SACAA are done in a consistent and professional manner, ensuring service delivery of high quality to SACAA clients.

The division is also responsible for ensuring that SACAA complies with all the Standards and Recommended Practices of ICAO and ensuring that the technical departments are delivering on SACAA's mandate.

International Activities

The Senior Manager for Quality Assurance was seconded to work on a joint ICAO / IATA project to render assistance to the Mozambique Institute for Civil Aviation in the 'Enhancement of Safety Oversight Capacity' for a period of seven months, from March 2006 to October 2006, in the area of Personnel Licensing. This project started a relationship with the Institute for Civil Aviation in Mozambique, which could pave the way for continued assistance and co-operation.

Preparations for ICAO Audit

As the National Co-ordinator for the ICAO Comprehensive Systems Oversight Audit of South Africa, scheduled for July 2007, the division spent a considerable amount of time preparing for this audit. Some of these preparations included, among other things, revision, completion and submission of Compliance Checklists to ICAO in January 2007 as required, as well as filing of significant differences with the ICAO Annexes and publishing them in an AIP as required by ICAO. A complete set of the ICAO Compliance Checklists was also placed on the SACAA website.



ISO Audit

SACAA passed its External ISO Audit in November 2006 and was issued with a new three-year Certificate of Conformance to the ISO 9001:2000 Quality Management Systems Standard. Continuous Improvement Reports have been raised in the respective divisions where findings were raised and corrective actions are managed by divisional managers and tracked by the QA division. The next external audit of the SACAA Quality Management System has been scheduled for September 2007.

The Review of SACAA's Policies and Procedures

The review of SACAA's Policies and Procedures commenced together with the AI Project and the intention was to review all organizational policies and procedures for their effectiveness to ensure that they accurately reflect the SACAA's mandate by the time of the ICAO audit. New Technical Guidance Material was also developed under the AI Project to replace some of the outdated policies and procedures.

Inspector Qualifications Framework

The development of an Inspector Qualifications Framework was identified as essential for SACAA to meet its obligations towards ICAO, and the process of developing this framework commenced in November 2006. The framework will cover the whole spectrum of SACAA inspectorates and will capture entry-level qualifications and experience requirements for inspectors within SACAA. The framework will focus on the Air Safety Operations departmental needs initially and will be expanded to other departments during the next financial year.



6.3. Communications

6.3.1. Website Revamping

During the year under review, the division embarked on a very important project to revamp the SACAA website, and to give it a "fresh" professional look. Hence a tender was advertised, where interested service providers were invited to submit their proposed solutions. We plan to have implemented a new SACAA website by the time of the next report.

6.3.2. Media Relations

The Communications division continued with its efforts to build powerful and mutually beneficial relationships with the media, all in the interest of promoting the good work of the organization. We did this through media releases and interviews on important, topical and strategic issues, placing advertisements in selected publications, and radio talk shows. Most of the media were very welcoming, and this is a good and solid foundation upon which to build further and fruitful relationships.

A highly successful press conference was held in June 2006, where SACAA's renewal project, "Towards an AI CAA" was launched. The coverage we received was very positive, and the exercise also assisted us in educating the media more on what we do, as well as on some of the critical challenges facing SACAA.

We are also proud to report that we have managed to build good and solid relations with most aviation publications, which are distributed widely to our stakeholders in the aviation community. We hope to strengthen these relations further in the new year.

The impact analysis of all media interventions seems to indicate that on average, our coverage was either neutral or positive.



6.3.3. Corporate Social Responsibility (CSR)

As part of our Corporate Social Responsibility, each year we spend a significant amount of our CSR budget in supporting HIV/AIDS related projects or homes, specifically around World AIDS month in December. In the past financial year the same pattern was followed as in the previous years.

Some of our CSR activities during the year included the following:

- Two students were given sponsorship to go on an overseas educational trip.
- The Soweto branch of SOS Village received a donation during World AIDS Day in December 2006. Employees

also volunteered to help with gardening, painting and cooking for AIDS orphans on the day. SACAA donated food and also pledged to participate in a payroll-giving initiative. Money raised from this initiative will be used to support AIDS victims and orphans.

- SACAA employees have also been participating in payroll-giving as from December 2006. Money raised from this initiative will go towards charity programmes in chosen Non-Governmental Organizations (NGOs).
- SACAA employees visited a charity home in Soweto and offered their services in painting, gardening and cooking.





6.3.4. Exhibitions and External Events

The division continued to take part in important national exhibitions and industry events, all in the interest of raising the profile of the organization, but also promoting civil aviation to the general public, particularly amongst learners from previously disadvantaged communities.

Exhibitions attended included: Gauteng Youth Commission Economic Fair; Minister of Transport's Budget Vote Speech; Vosloorus Career Exhibition Day; Transport Indaba; Department of Transport Career Exhibition Day; Mamelodi Career Exhibition; Mafikeng Air Show; Tembisa Youth Career Exhibition; June 16 Celebrations; African Aerospace and Defense Expo; and Eldorado Park Career Exhibition.

From the feedback received at these exhibitions it is clear that people appreciate the work that SACAA is doing, and in most cases, even generated interest from learners in pursuing careers in aviation.

SACAA is a member of the Joint Aviation Awareness Programme (JAAP), which consists of the Department of Transport, ATNS, ACSA, South African Airways, South African Air Force, South African Police Services Air Wing, the Aero Club of South Africa, as well as the African Pilot magazine. JAAP has worked tirelessly during the year to promote aviation to our target audience from previously disadvantaged communities.

SACAA also project-managed the highly successful International Civil Aviation Day (ICAD), which was held on 7 December 2006 at Mafikeng airport. ICAD is an annual event celebrated on 7 December every year to reflect and celebrate the continued advancement of civil aviation globally. More importantly, ICAD is also aimed at generating and reinforcing worldwide awareness of the importance that civil aviation plays in enhancing the development of both the social and economic spheres of the world economy. The success of this event would not have been possible without the support and co-operation of all the stakeholders that we worked jointly with, notably the Department of Transport, the North West Provincial Government, ATNS, ACSA, SAA, the Aero Club of South Africa and the South African Air Force.

6.3.5. Client Services

The Communications division receives a number of enquires from our clients and other stakeholders on a continuous basis, in most cases because they do not know who to contact within SACAA. We work very closely with our Client Services division to ensure high levels of client services. All enquiries are forwarded to the relevant sections, and a follow-up is made to ensure that client queries have been attended to. Client service is one of SACAA's strategic objectives, and we cannot afford to give our clients a shabby service, as the outside world will judge us on how well we service our clients and various stakeholders.



6.3.6. Stakeholder relations

Important External Visits

The Communications division assisted in the hosting of important visits by external stakeholders. Some of the important visits that took place during this period were:

- Visit by the **Board of the Botswana CAA**, which was undertaking a familiarization tour of SACAA, ATNS and ACSA. The visit took place in January 2007.
- A visit by **China Eastern Airlines**, who are intending to start an operation in South Africa. The delegation from China was on a fact-finding mission in preparation for this business initiative.
- A visit by the **Ugandan CAA**, who were on a benchmarking exercise on Human Resources standards.
- A visit by **Tanzania CAA**, who were on a benchmarking exercise regarding Aeronautical Information Services.

Industry Forums

SACAA also holds, on a regular basis, various forums with the industry to engage them on strategic issues affecting them, as well as to inform them about critical developments within the organization. Most notable amongst these is the Industry Liaison Forum, which is held with various industry associations on a regular basis. Through this forum, SACAA is able to get a sense of issues that the industry is concerned about, as well as take corrective action when necessary. Through this forum, the management of SACAA, particularly the CEO, is able to build good relations with all sectors of the industry, and credit goes to all the frank and honest discussions between SACAA management and the industry that characterize these forums.

6.4. Flight Inspection Unit (FIU)

The role of Flight Inspection Unit is to perform regular flight inspection of civil aviation navigation aids in South Africa and the Region in accordance with the recommendations prescribed by the International Civil Aviation Organization (ICAO).

The unit operates a modern flight inspection system installed on a specially equipped Citation 550 SII executive jet.

This aircraft, based at Lanseria Airport, provides a fast, flexible and cost-efficient operation.

Established as a Part 121 air service, the unit is ring-fenced with respect to cost-recovery and reports directly to the CEO's Office.

Clients

Our clients include the following:

- Aerodrome license holders;
- ATNS;
- ACSA;
- SAAF;
- SADC and other countries in the region; and
- Aircraft and flight inspection equipment suppliers and manufacturers.

Achievements

Activities

- 155 inspections were conducted against a target of 162.
- The predicted flying hours were 357.9 and 387.19 were actually flown.
- Fewer facilities were inspected due to one of our clients (SAAF) having budgetary problems, and therefore could only afford fewer inspections.





Revenue

- The predicted revenue was R8 267 490 and the actual revenue was R8 944 089.
- All scheduled inspections were performed as well as extra ad-hoc and commissioning inspections, except for client cancellations.

Highlights

- In South Africa there were 15 replacement VORs (Very High Frequency Omni Directional Radio Range) commissioned during the year.
- In Zimbabwe, one VOR was commissioned.
- In Angola, one VOR was commissioned.

- Routine flight inspections were also performed in the following SADC states: Botswana, Lesotho, Namibia and Zimbabwe.
- Both flight inspection pilots are now qualified as Captains on the flight inspection aircraft.

Challenges

A need for a backup flight inspection aircraft has been identified and discussions have been held with various role players in order to fill this gap. If a backup service can be obtained from an outside source, sufficient redundancy will be obtained. If, however, more facilities are installed within the RSA or more SADC states request our services, the purchase of a second fully equipped aircraft will have to be considered.





South African Civil Aviation Authority

Annual Financial Statements

31 March 2007



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The Annual Financial Statements set out on pages 40 to 60 were approved by the Board of Directors on 30 August 2007, and are signed on its behalf by:



Mr Duke Moorosi
(Chairperson of the Board)



Mr Zakes Myeza
(Chief Executive Officer)

INDEPENDENT AUDITOR'S REPORT TO THE DEPARTMENT OF TRANSPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE SOUTH AFRICAN CIVIL AVIATION AUTHORITY

We have audited the accompanying annual financial statements of the South African Civil Aviation Authority set out on pages 40 to 60, which comprise the balance sheet as at 31 March 2007, the report of the directors, income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Public Finance Management Act, 1999 (Act No.1 of 1999 as amended) and the South African Civil Aviation Act, 1998 (Act No. 40 of 1998). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

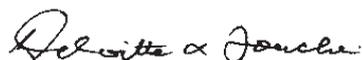
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of 31 March 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the Public Finance Management Act, 1999 (Act No.1 of 1999 as amended) and the South African Civil Aviation Act, 1998 (Act No. 40 of 1998).



Deloitte & Touche

Per E Lehapa
Partner
30 August 2007

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National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax
L Geeringh Consulting MG Crisp Financial Advisory L Bam Strategy CR Beukman Finance TJ Brown Clients & Markets
SJC Sibisi Public Sector and Corporate Social Responsibility NT Mtoba Chairman of the Board J Rhynes Deputy Chairman of the Board
Regional Leader: T Kalan

A full list of partners and directors is available on request

Report of Directors

for the year ended 31 March 2007

Introduction

The Directors present their ninth report in terms of the South African Civil Aviation Authority Act, 1998 (Act No. 40 of 1998) and the Public Finance Management Act, 1999 (Act No. 1 of 1999 amended) (PFMA), which forms part of the audited financial statements for the year ended 31 March 2007. The Authority is listed as a Schedule 3A Public Entity in terms of the PFMA.

The Directors are of the opinion that the South African Civil Aviation Authority (SACAA) complies with the provisions of the PFMA.

Nature of Business

The SACAA is a statutory body with the primary function to control and regulate civil aviation in South Africa and to oversee the safety and security of the aviation industry.

The SACAA was established as a juristic body in terms of the South African Civil Aviation Authority Act, 1998, (Act 40 of 1998). This, together with the Civil Aviation Fuel Levy and Aircraft Passenger Safety Charge Regulations, enables the SACAA to impose a passenger charge, fuel levy and direct charges upon the aviation industry, allowing it to generate revenue to fund its operations.

The SACAA continues to conduct the full accident and incident responsibilities on behalf of the National Department of Transport and receives an annual payment for these services.

Corporate Governance

The Board subscribes to the values of good corporate governance and recognises the need to conduct the enterprise with integrity and in accordance with generally accepted corporate practices. The members of the Board confirm that during the year SACAA has complied with the relevant aspects of best practices of corporate governance.

Statements of Responsibility

The Directors are responsible, to the best of their knowledge, for the maintenance of adequate accounting records, the preparation and integrity of the financial statements and related information. The Auditors are responsible to report on the fair presentation of financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the PFMA and the South African Civil Aviation Authority Act, 1998 (Act No 40 of 1998).

The Directors are responsible for the organisation's system of internal controls. These are designed to provide reasonable assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and losses. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Going Concern

The financial statements have been prepared on the going concern basis, since the Directors have every reason to believe that the company has adequate resources in place to continue operation for the foreseeable future. In order to ensure long-term sustainability of the organisation, proposed tariff increases have been submitted to the Minister of Transport for approval and implementation in the 2007/8 financial year.

Report of Directors (continued)

for the year ended 31 March 2007

Financial Results

The SACAA recorded a deficit of R5 548 422 compared to a deficit of R5 320 987 in 2006. The deficit is mainly attributable to a strategic drive through AI Project in order to increase the standards of the organisation to be among the best in the world. This noble objective does not come without a price, as a result, resources amounting to R3.54 million were applied in order to address prior years of neglect. In addition, a R10,5 million performance bonus cost increased labour costs by 15% from R91 196 524 in the prior year in order to incentivise and retain human capital that has become a scarce resource internationally. These above expenditures were made with both the short-term goal which was to do well in the International Civil Aviation Organisation (ICAO) and Federal Aviation Authority audit and review, and long-term vision, that is to efficiently and effectively regulate aviation safety and security. Tabulated below are other significant contributors to the deficit:

- Infrastructure costs at Ikhaya Lokundiza II amounting to R0,951 million as well as R2,9 million rental were incurred in the year under review in order to accommodate extra personnel to enable SACAA to deliver on its mandate.
- Repairs and Maintenance increased by 34% amounting to R1,1 million mainly due to the repair of an aircraft engine as well as costs attributed to an engine on loan.
- Premises costs rose by 15% amounting to R1,3 million as a result of International Accounting Standards 17 straightlining of operating leases as per circular of the South African Institute of Chartered Accountants (SAICA) 12/26.

The deficit was funded from cash reserves as the SACAA operates on a user-pay-principle and does not receive any grants from the Treasury.

The provision for doubtful debts amount of R7.1 million includes an amount of R3.7 million (52%) which is attributable to currency fees raised in respect of inactive aircraft which were identified through an aircraft register verification exercise conducted by Management.

Number of Employees

The average number of employees during the period was 320 (2006:305).

Materiality Framework

The SACAA has a materiality framework whereby all material and significant information is disclosed to the Finance and Audit Committee on a bi-annual basis.

Board of Directors

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

Mr MD Moorosi (Chairman)	Appointed 1 May 2005
Ms M Magasa	Appointed 1 May 2005
Ms BM Mohlala	Appointed 1 May 2005
Major General TA Ntsibande	Appointed 1 May 2005
Mr JT Morrison	Appointed 1 May 2005
Mr Z Myeza (CEO)	Appointed 16 March 2006

Income Statement

for the year ended 31 March 2007

	Notes	2007 R	Restated 2006 R
Revenue	1	150 703 740	138 974 436
Other operating income	2	370 307	443 825
Employee benefit expenses		(105 226 695)	(91 196 524)
Depreciation	3	(6 091 989)	(6 281 127)
Other operating expenses		(50 533 245)	(53 776 325)
Loss from operations	4	(10 777 882)	(11 835 715)
Investment income	5	5 229 460	6 514 728
Loss for the year		(5 548 422)	(5 320 987)

Balance Sheet

31 March 2007

	Notes	2007 R	Restated 2006 R
ASSETS			
Non-current assets		30 723 463	101 130 881
Equipment	6	30 723 463	34 252 724
Investments	7	-	66 878 157
Current assets		114 241 207	36 509 706
Investments	7	69 779 269	-
Trade and other receivables	8	21 190 172	11 773 421
Bank balances and cash		23 271 766	24 736 285
TOTAL ASSETS		144 964 670	137 640 587
EQUITY AND LIABILITIES			
Capital and reserves		112 762 887	118 712 120
Non-distributable reserves	9	53 275 518	53 275 518
Accumulated funds		59 487 369	65 436 602
Current liabilities		33 201 783	18 928 467
Trade and other payables	10	17 314 310	14 465 578
Provisions	11	14 887 473	4 462 889
TOTAL EQUITY AND LIABILITIES		144 964 670	137 640 587

South African Civil Aviation Authority
Statement of Changes in Equity

for the year ended 31 March 2007

	Notes	Non-distributable reserves R	Accumulated funds R	Total R
Balance at 31 March 2005		53 275 518	70 757 589	124 033 107
Net loss for the year (restated)		-	(5 320 987)	(5 320 987)
Net loss for the year (as previously stated)		-	(3 686 723)	(3 686 723)
Prior year error	12	-	(1 634 264)	(1 634 264)
Restated balance at 31 March 2006		53 275 518	65 436 602	118 712 120
Change in fair value		-	(400 811)	(400 811)
Net loss for the year		-	(5 548 422)	(5 548 422)
Balance as at 31 March 2007		53 275 518	59 487 369	112 762 887
Represented by:				
Capital funding from Government		43 275 518	7 931 000	51 206 518
Government subsidies received		-	27 654 915	27 654 915
Accumulated Funds		-	33 901 454	33 901 454
Asset replacement reserve		10 000 000	(10 000 000)	-
Total		53 275 518	59 487 369	112 762 887

Cash Flow Statement

for the year ended 31 March 2007

	Notes	2007 R	Restated 2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers and the Department of Transport		142 256 162	142 063 174
Cash paid to suppliers and employees		(143 085 490)	(139 361 721)
Cash (utilised in)/generated from operations	A	(829 328)	2 701 453
Interest received	5	1 927 537	2 029 867
Net cash inflow from operating activities		1 098 209	4 731 320
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to equipment		(2 562 728)	(4 535 127)
Net cash outflow from investing activities		(2 562 728)	(4 535 127)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
		(1 464 519)	196 193
Cash and cash equivalents at beginning of the year		24 736 285	24 540 092
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	B	23 271 766	24 736 285

Notes to the Cash Flow Statement

for the year ended 31 March 2007

	2007 R	Restated 2006 R
A. RECONCILIATION OF LOSS FOR THE YEAR TO CASH (UTILISED IN) / GENERATED FROM OPERATIONS		
Loss for the year	(5 548 422)	(5 320 987)
Adjustment for:		
Depreciation	6 091 989	6 281 127
Investment income	(5 229 460)	(6 514 728)
Increase in operating leases liability	2 307 842	2 635 902
Increase/(decrease) in provisions	10 424 584	(698 111)
Loss on disposal of equipment	-	14 942
Profit/(Loss) before working capital changes	8 046 533	(3 601 855)
Working capital changes:	(8 875 861)	6 303 308
(Increase)/decrease in trade and other receivables	(9 416 751)	3 088 738
(Decrease)/increase in trade and other payables	540 890	3 214 570
Cash (utilised in)/generated from operations	(829 328)	2 701 453

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments.

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

Funds on call and on deposit	21 812 989	24 549 078
Bank balances and cash	1 458 777	187 207
Cash and cash equivalents	23 271 766	24 736 285

Accounting Policies

for the year ended 31 March 2007

The financial statements are represented in South African Rands. The organisation complies with International Financial Reporting Standards and the accounting policies applied are consistent with those applied in the prior year. These Annual Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are carried at amortised cost or fair value as applicable.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue, but not yet effective:

IFRS 7

In August 2005 the IASB issued IFRS 7 - Financial Instruments: Disclosures. The Standard adds certain new disclosures about financial instruments to those currently required by IAS 32 - Financial Instruments: Disclosure and Presentation. The Standard replaces the disclosures currently required by IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions. The Standard therefore groups all financial instruments disclosures together in a new Standard. IAS 1: Presentation of Financial Statements was amended in conjunction with the release of IFRS 7. The amendments impose additional requirements for disclosure of:

- The entity's objectives, policies and processes for managing capital;
- Quantitative data about what the entity regards as capital;
- Whether the entity has complied with any capital requirements; and
- If it has not complied, the consequences of such non-compliance.

IFRS 7 and the amendments to IAS 1 are effective for annual periods commencing on or after 1 January 2007 and is therefore applicable for the organisation's 2008 year end. The organisation is currently in the process of evaluating the financial effects thereof.

IFRS 8

IFRS 8 - Operating Segments replaces IAS 14: Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

IFRS 8 requires the amount reported for each segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to that segment and assessing its performance. The organisation does not believe that the adoption of the Standard will have any effect.

IAS 23 revised

On 29 March 2007, the IASB issued a revised IAS 23 Borrowing Costs. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise borrowing costs as part of the cost of such assets.

The revised IAS 23 does not require the capitalisation of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The organisation does not believe that the adoption of this standard will have any impact.

Accounting Policies (continued)

for the year ended 31 March 2007

IFRIC 7

In November 2005 the IASB issued IFRIC 7 - Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies. The Interpretation is effective for annual periods beginning on or after 1 March 2006. IFRIC 7 contains guidance on how an entity would restate its financial statements in the first year it identifies the existence of hyperinflation in the economy of its functional currency.

The organisation will adopt IFRIC 7 during the 2008 financial year and does not believe that the adoption of the Interpretation will have any effect.

IFRIC 8

In January 2006 the IASB issued IFRIC 8 - Scope of IFRS 2. The Interpretation is effective for annual periods beginning on or after 1 May 2006. IFRIC 8 clarifies that IFRS 2 - Share-based Payment applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 explains that, if the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred, this situation typically indicates that other consideration has been or will be received.

The organisation will adopt IFRIC 8 during the 2008 financial year and does not believe that the adoption of the Interpretation will have any effect.

IFRIC 9

In March 2006 the IASB issued IFRIC 9 - Reassessment of Embedded Derivatives. The Interpretation is effective for annual periods beginning on or after 1 June 2006. IAS 39 requires an entity, when it first becomes a party to a hybrid contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as if they were stand-alone derivatives. IFRIC 9 addresses:

Whether IAS 39 requires such an assessment to be made only when the entity first becomes a party to the hybrid contract, or whether the assessment be reconsidered throughout the life of the contracts; and

Whether a first-time adopter of IFRS should make its assessment on the basis of the conditions that existed when the entity first became a party to the contract, or those prevailing when the entity adopts IFRS for the first time.

The organisation will adopt IFRIC 9 during the 2008 financial year and does not believe that the adoption of the Interpretation will have any effect.

IFRIC 10

In July 2006 the IASB issued IFRIC 10: Interim Financial Reporting and Impairment effective for annual periods beginning on or after 1 November 2006. The Interpretation addresses an apparent conflict between the requirements of IAS 34: Interim Financial Reporting and those in other Standards on the recognition and reversal in financial statements of impairment losses on goodwill and certain financial assets. IFRIC 10 concludes that:

An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost; and

An entity shall not extend this consensus by analogy to other areas of potential conflict between IAS 34 and other Standards.

The organisation will adopt IFRIC 10 during the 2008 financial year and does not believe that the adoption of the Interpretation will have any effect.

Accounting Policies (continued)

for the year ended 31 March 2007

IFRIC 11

IFRIC 11: IFRS 2 - Group and Treasury Share Transactions will be effective on 1 March 2007.

IFRIC 11 clarifies the application of IFRS 2: Share-based Payment to certain share-based payment arrangements involving the entity's own equity instruments and to arrangements involving equity instruments of the entity's parent. The IFRIC concluded that when an entity receives services as consideration for rights to its own equity instruments, the transaction should be accounted for as equity-settled. This is regardless of whether:

The entity chooses or is required to purchase equity instruments to satisfy its obligation;

The entity or its shareholder(s) grants the right; or

The transaction is settled by the entity or by its shareholder(s).

Where a parent grants rights to its equity instruments to employees of its subsidiary, assuming the transaction is accounted for as an equity-settled share-based payment transaction in the consolidated financial statements, the subsidiary should measure the services received using the requirements for equity-settled transactions in IFRS 2, and should recognise a corresponding increase in equity as a contribution from the parent.

Where a subsidiary grants rights to equity instruments of its parent to its employees:

The subsidiary has incurred a liability to transfer cash or other assets of the entity to its employees (being a liability to transfer equity instruments of its parent); and

The subsidiary accounts for the transaction as a cash-settled share-based payment transaction.

The organisation will adopt IFRIC 11 in its 2008 financial year, but does not believe that it will have any impact.

IFRIC 12

The Interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services, such as schools and roads. The Interpretation states that for arrangements falling within its scope (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator.

IFRIC 12: Service Concession Arrangements will be effective for financial periods beginning 1 January 2008. The company does not believe that the adoption of the Interpretation will have any effect.

IFRIC 13

IFRIC 13: Customer Loyalty Programmes addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. IFRIC 13 is effective for annual periods beginning on or after 1 July 2008.

The organisation does not believe that the adoption of the Interpretation will have any effect.

IFRIC 14

In many countries, laws or contractual terms require employers to make minimum funding payments for their pension or other employee benefit plans. This enhances the security of the retirement benefit promise made to members of an employee benefit plan.

Normally, such statutory or contractual funding requirements would not affect the measurement of the defined benefit asset or liability. This is because the contributions, once paid, become plan assets and the additional net liability would be nil.

Accounting Policies (continued)

for the year ended 31 March 2007

However, paragraph 58 of IAS 19 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.' IFRIC 14 addresses the interaction between a minimum funding requirement and the limit placed by paragraph 58 of IAS 19 on the measurement of the defined benefit asset or liability.

IFRIC 14 is effective for annual periods beginning on or after 1 January 2008. The organisation does not believe that the adoption of the Interpretation will have any effect.

Revenue recognition

The invoiced value of sales and services rendered, excluding value added tax, in respect of trading operations is recognised at the date services are provided.

Safety charge is based on the number of passengers on scheduled services departing from all airports in the country. This data is obtained from all the airports in South Africa and the various airline companies.

Fuel levies are based on fuel supplied by fuel companies to the General Aviation Operators and Charter Operators. This is based on the litres audited by the fuel company auditors.

Accident and incident investigation fees are based on the number of accidents and incidents that are investigated and the revenue generated varies according to the nature and extent of the investigation.

User fees are generated from examinations, licence renewals, certifications, airworthiness and calibrations. This revenue is recognised when the service is rendered.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As a lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Equipment

Equipment is stated at cost or deemed cost in the case of aircraft less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets to its residual value over their estimated useful lives, using the straight-line method (refer below).

Residual values and estimated useful lives are assessed on an annual basis.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Accounting Policies (continued)

for the year ended 31 March 2007

Impairment of assets

At each balance sheet date, the organisation reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets

Trade and other receivables

Trade and other 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. 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.

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.

Financial liabilities

Financial liabilities and equity instruments issued by the organisation are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the organisation after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

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

Accounting Policies (continued)

for the year ended 31 March 2007

Financial liabilities (continued)

Provisions

Provisions are recognised when the organisation has a present or constructive obligation as a result of a past event, and it is probable that the organisation will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Employee benefits

The organisation participates in a defined contribution fund, which is governed by the Pension Fund Act 1956, (Act No. 24 of 1956) and in which all employees participate. Current contributions to retirement benefit fund are charged to the income statement in the period incurred.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the organisation's accounting policies:

In the process of applying the organisation's accounting policies, which are described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from services rendered as set out in IAS 18 - Revenue and, in particular, whether the organisation has recognised revenue when the services rendered.

Residual values

For the current year residual values were taken into consideration when calculating depreciation and these values will be assessed annually.

Useful lives

Included in the aircraft are the following components with the respective remaining useful lives:	
Airframe	18 years
Left engine	757 hours
Right engine	612 hours
Avionics	3 years
Undercarriage	8 663 hours
Interior	1.45 years

Accounting Policies (continued)

for the year ended 31 March 2007

Critical accounting judgements and key sources of estimation uncertainty (continued)

The following rates are used for the depreciation of equipments	
Aircraft	Refer above
Calibration equipment	15 years
Furniture and fittings	6 years
Computer equipment	3 years
Motor vehicles	5 years

Leave pay provision

Employee entitlements to annual leave are recognised when they accrue to employees. A provision, based on total employment cost, is raised for the estimated liabilities as a result of services rendered by employees up to balance sheet date.

Performance bonus provision

The value of the bonus entitlements is calculated based on the bonus scheme established by the South African Civil Aviation Authority, the value of which is dependant on the employees' grade and performance.

Provision for doubtful amounts

Management assessed the recoverability of each debtors' balance and provided in full for any doubtful amounts.

Fair value methods and assumptions

The fair value of financial instruments traded in an organised financial market are measured at the applicable quoted prices, adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

Fair value methods and assumptions

The fair value of financial instruments not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risk existing at balance sheet date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value.

Asset replacement reserve

The asset replacement reserve, which is part of distributable reserves, represents a portion of surpluses generated during the financial year based on asset replacement needs and funds availability. This reserve is created to enable the CAA to maintain an asset base that is in line with the aviation safety mandate.

Notes to the Annual Financial Statements

for the year ended 31 March 2007

	2007 R	Restated 2006 R
I. REVENUE		
Revenue comprise of the following:		
Aircraft passenger safety charge	99 435 254	91 006 941
User fees	41 997 652	38 378 874
Accident and incident investigations	6 773 000	6 390 000
Fuel levy	2 497 834	3 198 621
	150 703 740	138 974 436

2. OTHER OPERATING INCOME

Other income comprise of the following:

Examination cancellations and tender document fees	370 307	443 825
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3. DEPRECIATION

Aircraft	1 295 932	1 363 611
Calibration equipment	849 064	832 739
Furniture and fittings	748 270	581 399
Computer equipment	2 982 587	3 287 241
Motor vehicles	216 136	216 137
	6 091 989	6 281 127

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2007

	Notes	2007 R	Restated 2006 R
4. LOSS FROM OPERATIONS			
Loss from operations is arrived at after taking into account the following:			
Auditor's remuneration		370 742	300 000
Operating lease costs			
Land and buildings		10 109 938	8 775 095
Equipment		3 643 202	149 351
		13 753 140	8 924 446
Loss on disposal of equipment		-	14 942
Defined contribution plan expense		11 028 086	12 368 228
Key management remuneration			
Key management personnel		4 668 595	4 372 033
Salaries		4 124 932	3 873 555
Provident fund contributions		543 663	498 478
Included in key management are the following executive personnel:			
Mr S M Machobane (Resigned 31 August 2006)			
Mr R Naidoo			
Mr G Z Thwala			
Mr Z Myeza			
Mr S Ntaka			
Non Executive Directors' fees		447 637	405 473
5. INVESTMENT INCOME			
Interest - Old Mutual Life Assurance Company (South Africa) Limited		2 226 809	2 965 368
As previously reported		-	4 599 632
Correction of error	12	-	(1 634 264)
Current year interest income		2 226 809	-
Interest - Momentum Group Limited		1 075 114	1 519 493
Interest on bank account - Standard Bank of South Africa Limited		1 927 537	2 029 867
		5 229 460	6 514 728

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2007

6. EQUIPMENT

Cost/Valuation	Opening balance R	Additions R	Movements /Disposals R	Closing balance R
2007				
Aircraft	20 471 322	-	-	20 471 322
Calibration equipment	12 528 113	-	(368 445)	12 159 668
Furniture and fittings	4 961 595	1 289 628	368 445	6 619 668
Computer equipment	13 471 195	1 273 100	-	14 744 295
Motor vehicles	1 088 680	-	-	1 088 680
	52 520 905	2 562 728	-	55 083 633
2006				
Aircraft	20 471 322	-	-	20 471 322
Calibration equipment	12 528 113	-	-	12 528 113
Furniture and fittings	4 148 534	913 862	(100 801)	4 961 595
Computer equipment	9 993 062	3 621 265	(143 132)	13 471 195
Motor vehicles	1 088 680	-	-	1 088 680
	48 229 711	4 535 127	(243 933)	52 520 905

Accumulated depreciation	Opening balance R	Charge for the year R	Movements /Disposals R	Closing balance R
2007				
Aircraft	2 809 940	1 295 932	-	4 105 872
Calibration equipment	4 012 294	849 064	-	4 861 358
Furniture and fittings	3 129 251	748 270	-	3 877 521
Computer equipment	7 732 334	2 982 587	-	10 714 921
Motor vehicles	584 362	216 136	-	800 498
	18 268 181	6 091 989	-	24 360 170
2006				
Aircraft	1 446 329	1 363 611	-	2 809 940
Calibration equipment	3 265 414	832 739	(85 859)	4 012 294
Furniture and fittings	2 690 984	581 399	(143 132)	3 129 251
Computer equipment	4 445 093	3 287 241	-	7 732 334
Motor vehicles	368 225	216 137	-	584 362
	12 216 045	6 281 127	(228 991)	18 268 181

Net book value	2007 R	Restated 2006 R
Aircraft	16 365 450	17 661 382
Calibration equipment	7 298 310	8 515 819
Furniture and fittings	2 742 147	1 832 344
Computer equipment	4 029 374	5 738 861
Motor vehicles	288 182	504 318
	30 723 463	34 252 724

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2007

	Notes	2007 R	Restated 2006 R
7. INVESTMENTS			
Old Mutual Life Assurance Company (South Africa) Limited			
Opening balance		44 875 855	41 910 487
Investment income restated		2 226 809	2 965 368
Investment income (as previously stated)		-	4 599 632
Correction of error	12	-	(1 634 264)
Change in fair value		(18 510)	-
Closing balance		47 084 154	44 875 855

The investment matures on 1 September 2009 and has a guaranteed maturity value of R 57 518 231. The investment bears interest at the yield to maturity rate of 7.51%.

Momentum Group Limited

Opening balance		22 002 302	20 482 809
Investment income		1 075 114	1 519 493
Change in fair value		(382 301)	-
Closing balance		22 695 115	22 002 302

The investment matures on 30 November 2009 and has a guaranteed maturity value of R 28 603 745. The investment bears interest at the yield to maturity rate of 6.45%. The investment is taken out in the form of a life insurance policy over the life of Mr India. The SACAA is the sole beneficiary to the above life insurance policy.

Total Investment

	69 779 269	66 878 157
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In November 2006, the Board of Directors took a decision to liquidate the above investments. These investments were reclassified as available for sale and consequently are now stated at fair value.

8. TRADE AND OTHER RECEIVABLES

Trade receivables		26 200 704	13 788 681
Less: provision for doubtful amounts		(7 119 810)	(3 491 070)
Other receivables		2 109 278	1 475 810
		21 190 172	11 773 421

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2007

	2007 R	Restated 2006 R
9. NON-DISTRIBUTABLE RESERVES		
Assets transferred from the National Department of Transport at inception	43 275 518	43 275 518
Asset replacement reserve	10 000 000	10 000 000
	53 275 518	53 275 518
10. TRADE AND OTHER PAYABLES		
Trade payables	5 014 702	4 741 630
13th Cheque accrual	331 505	337 325
Income received in advance	3 499 319	3 775 853
Operating lease liability	5 945 607	3 655 765
Unknown deposits	2 164 996	1 555 510
Other payables	358 181	399 495
	17 314 310	14 465 578
11. PROVISIONS		
Leave pay		
Opening balance	4 462 889	2 803 637
Raised during the year	534 606	1 659 252
Utilised during the year	(641 997)	-
Closing balance	4 355 498	4 462 889
Performance bonus		
Opening balance	-	-
Raised during the year (2006/07)	10 531 975	-
Closing balance	10 531 975	-
Total provisions	14 887 473	4 462 889

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2007

	2007 R	Restated 2006 R
Current	14 887 473	4 462 889
Non Current	-	-
	14 887 473	4 462 889

11. PROVISIONS (CONTINUED)

Analysed as follows:

Current	14 887 473	4 462 889
Non Current	-	-

The leave pay provision relates to possible vesting leave pay to which employees may become entitled upon leaving the employment of the organisation. The provision arises as employees render a service that increases their entitlement to future compensated leave. The provision is utilised when the employees become entitled to and are paid for the accumulated leave or utilise compensated leave due to them.

The value of the bonus entitlements is calculated based on the bonus scheme established by the South African Civil Aviation Authority, the value of which is dependant on the employees' grade and performance.

12. PRIOR YEAR ERROR

The SACAA has decided to liquidate the investments during the next financial period to fund the requirements needed for the pending ICAO and FAA audits. During an assessment of the investment values it was discovered that the initial cost used to amortise the investment values was overstated in the prior year. The financial statements of the prior periods have been restated to reflect this change. The effect of the prior year error is as follows:

	Gross R	Tax R	Net R
Effect on net loss for the year:			
Decrease in investment income – 2006	1 634 264	-	1 634 264
Balance sheet effect			
Investments	Old Mutual	Momentum	Total
Balance 31 March 2006	46 510 119	22 002 302	68 512 421
Adjustment	(1 634 264)	-	(1 634 264)
Adjusted balance 31 March 2006	44 875 855	20 002 302	66 878 157

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2007

	2007 R	Restated 2006 R
<hr/>		
13. OPERATING LEASE COMMITMENTS		
<p>The organisation has commitments for future operating lease payments as per the lease agreements for the rental of property as detailed below:</p>		
Payable within one year	8 324 847	8 647 935
Payable after one year, but within five years	48 058 016	40 214 046
Payable after five years	32 192 902	40 337 462
	<hr/> 88 575 765 <hr/>	<hr/> 89 199 443 <hr/>

14. TAXATION

In terms of section 10(1) (c) (A) (i) of the Income Tax Act, (Act No. 58 of 1962) the organisation is exempt from paying normal income tax.

15. FINANCIAL INSTRUMENTS

The Organisation's financial instruments consist mainly of cash at bank and cash equivalents, accounts receivable and accounts payable.

Credit risk

The organisation has a low credit risk with respect to accounts receivable due to the spread of customers. Cash is placed with registered financial institutions.

Fair value

The carrying amount of the following monetary assets and liabilities approximate their fair value, cash, investments, accounts receivable and accounts payables.

Foreign currency risk

The organisation is not party to any financial instruments that reduce the exposure to fluctuations in foreign currency exchange rates.

Investment risk

The organisation has a low investment risk due to investments being held to maturity and both with guaranteed maturity value.

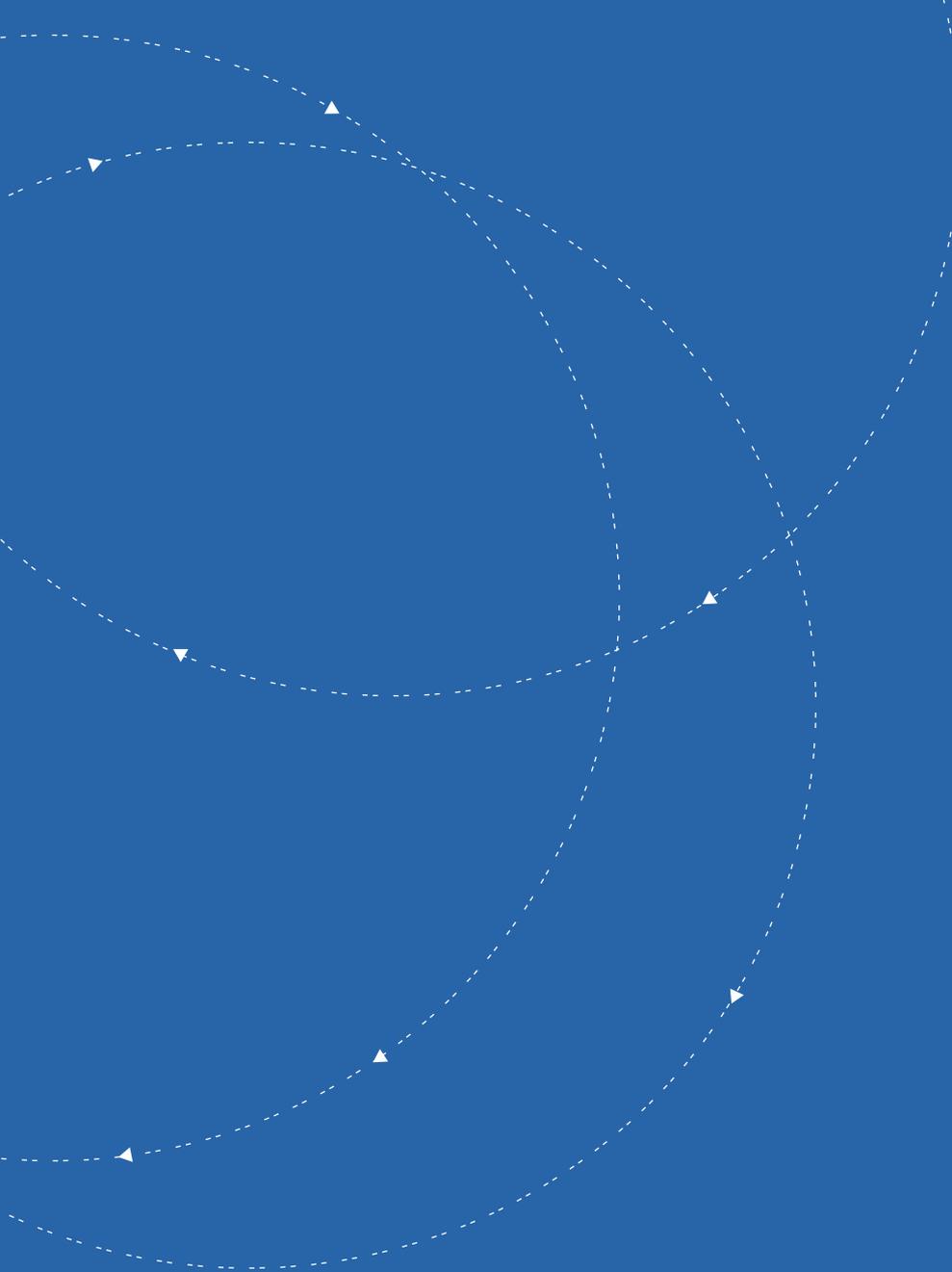
Other risk

Due to the nature and extent of the organisation's financial instruments, it is not unduly exposed to price risks, interest rate risks, cash flow risks and liquidity risks.

Acronyms / Abbreviations



ACSA:	Airports Company South Africa	IASA:	International Aviation Safety Assessment
ADS-B:	Automatic Dependent Surveillance - Broadcast	IATA:	International Air Transport Association
AFI:	African Indian Region	ICAD:	International Civil Aviation Day
AFTN:	Aeronautical Fixed Telephone Network	ICAO:	International Civil Aviation Organization
AIP:	Aeronautical Information Package	ICT:	Information and Communications Technology
AIS:	Aeronautical Information Services	ISO:	International Standards Organization
ASGISA:	Accelerated and Shared Growth Initiative for South Africa	IT:	Information Technology
ASI:	Air Safety Infrastructure	JAAP:	Joint Aviation Awareness Programme
ASO:	Air Safety Operations	MOU:	Memorandum of Understanding
ATNS:	Air Traffic and Navigation Services Company	NASCOM:	National Airspace Committee
ATO:	Aviation Training Organization	NGOs:	Non-Governmental Organizations
ATS:	Air Traffic Services	NTCA:	Non Type Certificated Aircraft
AVCOM:	Aviation Community	OI:	Occurrence Investigations
AVMED:	Aviation Medicine	PFMA:	Public Finance Management Act
AVSEC:	Aviation Security	PMS:	Performance Management System
BBBEE:	Broad Based Black Economic Empowerment	PPL:	Private Pilot's License
BEE:	Black Economic Empowerment	PSR:	Primary Surveillance Radar
CAA:	Civil Aviation Authority	QA:	Quality Assurance
CAHRS:	Confidential Aviation Hazards Reporting System	RSA:	Republic of South Africa
CARCOM:	Civil Aviation Regulations Committee	RVSM:	Reduced Vertical Separation Minima
CARS:	Civil Aviation Regulations	SAA:	South African Airways
CATS:	Civil Aviation Technical Standards	SAAF:	South African Air Force
CEO:	Chief Executive Officer	SACAA:	South African Civil Aviation Authority
DEAT:	Department of Environmental Affairs and Tourism	SADC:	Southern African Development Community
DOT:	Department of Transport	SARPS:	Standards and Recommended Practices
E-procurement:	Electronic Procurement	SMS:	Safety Management System
EAD:	European Aeronautical Database	SR:	Safety Recommendations
FAA:	Federal Aviation Administration	SSR:	Secondary Surveillance Radars
FIFA:	Fédération Internationale de Football Association	TSA:	Transport Safety Administration (US)
FIU:	Flight Inspection Unit	US:	United States
GNSS:	Global Navigation Satellite System	USOAP:	Universal Safety Oversight Audit Programme
HR:	Human Resources	VOIP:	Voice Over Internet Protocol
IARB:	Internal Accident Review Board	VOR:	Very High Frequency Omni Directional Radio Range



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