

ANNUAL REPORT 2013

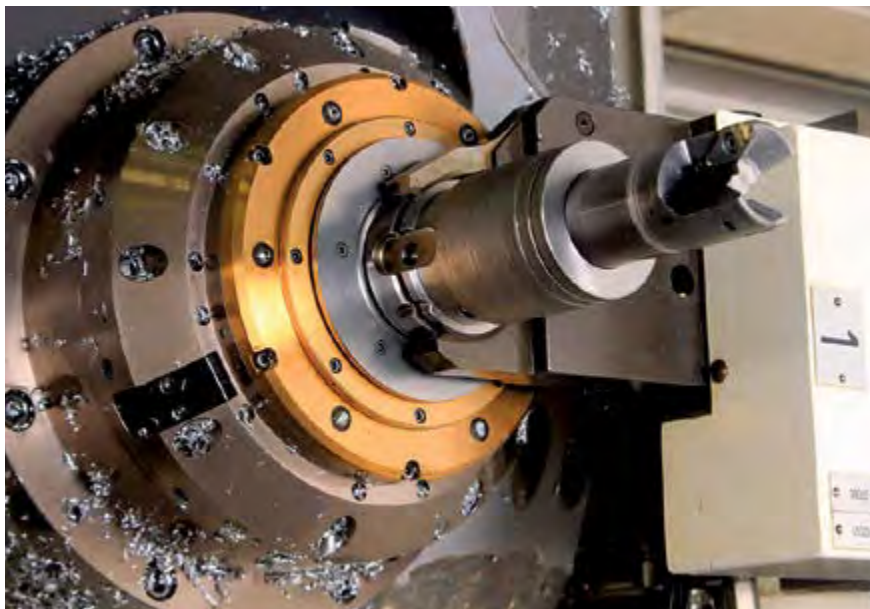
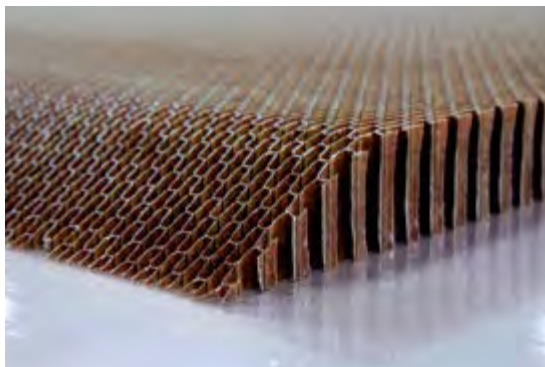


DENEL AEROSTRUCTURES

THE ADVANCED
AEROSPACE
MANUFACTURING
AND
ENGINEERING
PARTNER



DENEL AEROSTRUCTURES



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2. BOARD OF DIRECTORS
3. BUSINESS UNIT REPORTS AND CONTRIBUTION FROM THE CEO
4. DENEL AEROSTRUCTURES BOAST WITH THEIR EMPLOYEES
5. SUSTAINABILITY REPORT
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DENEL GROUP OVERVIEW

ROLE OF DENEL

Denel provides military independence and security of supply, advanced manufacturing, technology development, as well as research and development (R&D) to the country, whilst delivering technologically advanced products to the global markets. Denel also provides a wide range of sophisticated services and solutions that enhance the value of its products. These solutions are designed to meet unique user requirements and full life cycle support, which reduce the cost of ownership. Denel's products include combat turrets, artillery and vehicle systems, missiles, command and control, maintenance, repair and overhaul of aircraft (MRO), avionics upgrades, testing of airborne systems, ammunitions, development and design of aerostructure components, as well as humanitarian services, including demining.



OVERVIEW

WORK CENTER
ME652090



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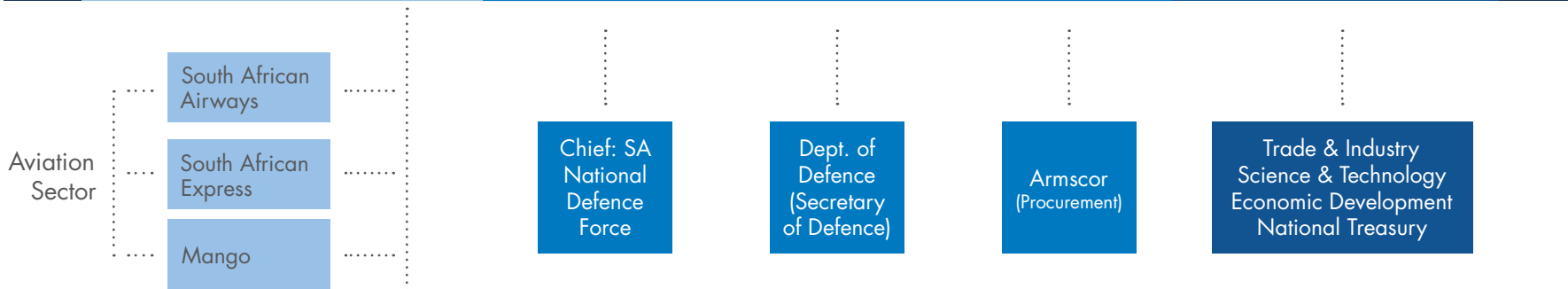
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SOUTH AFRICAN GOVERNMENT

Minister of Public Enterprises

Minister of Defence and Military Veterans

Other Ministers



BUSINESS ENTITIES

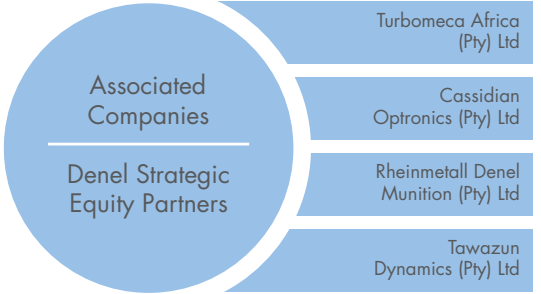


- Missiles
- UAV Systems
- Denel Integrated Systems Solutions

- Aviation
- Denel Technical Academy

- Land Systems
- Mechem
- LMT SOC Ltd

- Denel Industrial Properties
- Densecure SOC Ltd





Denel plays a significant role in industrial development through its active R&D programmes, manufacturing and maintenance activities, well-defined infrastructure and strong human capital base. The research, design, development, integration, qualification, certification and industrialisation are done primarily in-house, with significant elements of production outsourced to the broader South African manufacturing and defence industries. Many innovative applications used to improve rail safety, crime prevention, surveillance, protection of assets, mine safety management, mining drill bits and commercial brass strips, have been leveraged from the defence technology base.

Denel addresses national priorities, such as skills and supplier development, maintaining advanced manufacturing and aerospace capabilities, optimising existing technology and exploring diversification, thereby increasing revenue and job creation. Global studies in the industry indicate that this sector has a multiplier effect of no less than four. This means that for every job in the sector there are at least four downstream jobs created. The group, including associated companies, has 6 378 employees supporting circa 30 000 indirect jobs in the economy. Denel is actively involved in artisan training, internships, apprenticeships and maths and science student support.

The Denel group consists of a number of business entities; its organisational structure is provided on page 8.

Denel Aerostructures (DAe) is a business entity within the Denel Group, a state-owned company, and South Africa's premier provider of defence, security-related and aerospace products, systems and solutions.

The Government of South Africa is the sole shareholder of Denel and the company reports to the Department of Public Enterprises through an independent Board of Directors which also provides strategic direction and oversight to the group and its executive management. During the 2012/13 financial year the Denel Group underwent a restructuring process to reflect its new strategic focus and direction and its objective to pursue business opportunities in the areas of aerospace, landward defence and humanitarian demining, missile technology and unmanned aerial vehicle systems.

Denel Aerostructures is now, without a doubt, the leading aerospace company in Africa; a powerhouse in aerospace design and advanced manufacturing.

As a strategic partner in global programmes, the company intends to build on its long-standing reputation for innovation, quality and specialised solutions in aerospace design and manufacturing. DAe's mastery of technology and depth of skills have been forged through over four decades of experience in the aerospace sector.

OUR VALUES



PERFORMANCE
We embrace operational excellence.



INTEGRITY
We are honest, truthful and ethical.



INNOVATION
We create sustainable innovative solutions.



CARING
We care for our people, customers, communities, nations and the environment.



ACCOUNTABILITY
We take responsibility for our actions.

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COMPANY HISTORY

1964



Atlas Aircraft Corporation established

1968



Aermacchi MB-326 Impala

1970



Allouette / MRO

1992



Denel (Pty) Ltd established

1995



Ace / All composite turbo prop trainer

1996



Gulfstream G150

2009



A400M MSN 001 first flight

2011



Denel Aerostructures SOC Ltd established

2011



A400M Interim Type Certification

1980



Oryx / Super Puma conversion

1983



Cheetah / Design Authority

1990



Roovalk / OEM

2000



SAAB Gripen

2005



Airbus A400M

2007



Denel Saab Aerostructures (Pty) Ltd established

2011



Completion of Gripen Programme

2011

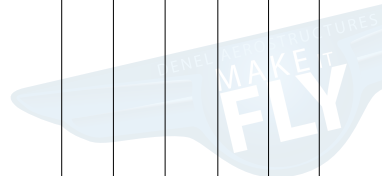


Completion of A109 Programme

2012



New contract with US Business Jet



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SHAREHOLDER'S FOREWORD

Denel Aerostructures remains a key strategic element and a valuable contributor to the success of Denel SOC Ltd, South Africa's premier defence and aerospace manufacturer.

Within the Group, the financial year under review has been characterised by interventions aimed at improving all aspects of the business and to ensure an integrated company. Cost containment measures resulted in a reduction in operating costs as we consolidated businesses and streamlined support services.

Denel Aerostructures (DAe), contributed, in no small measure, to the Group's efforts through its initiatives to cut costs, improve efficiencies and streamline production processes. This will, no doubt, result in the long-term sustainability of the company.

Our strategy is focused on revenue growth, cost optimisation, a strengthened balance sheet, transformation and modernising technology. This is sustained by expected growth in our traditional markets, strong government support and strategic partnerships.

Given the rapid change of defence and aerospace technology, Denel is prioritising the development of technology and capabilities to remain globally competitive. As a high-technology company Denel Aerostructures finds itself at the cutting edge of advanced manufacturing in South Africa and remains an important national asset.

In line with the strategic intent of our Shareholder, the South African Government, Denel contributes to the defence industry, as well as acts as a catalyst for advanced manufacturing in the broader economy.

Through its participation in international manufacturing programmes, DAe is contributing to the company's broader objectives to market its unique portfolio of products and services and earn valuable export revenue.

In addition the company is expanding opportunities for emerging businesses through its supply chain value stream – thus contributing to the country's broader objectives to grow the economy, create employment and expand the skills of its citizens.

The potential for growth in the aerospace and advanced manufacturing sectors are duly recognised by Government in its strategic economic development framework, and DAe is poised to play a leading role on these fronts in the future.

Government, through the National Treasury, has recognised the broader value that DAe adds to the South African economy with its decision to recapitalise the business during the 2012/13 financial year. This injection contributed to the group's sustained solvency and strengthened its financial position.

DAe is a programme partner for the design, development, manufacture and supply of key structural components on the Airbus A400M. In the past year we concluded a successful renegotiated contract with Airbus Military and made substantial progress to ensure future work packages from the original equipment manufacturer.

This can be mainly attributed to DAe's excellent reputation to deliver on time, within budget and according to specifications. The company has built a solid track record as a global manufacturer of advanced aerostructure components which will contribute to its capacity to ensure future international contracts.

I am convinced that there are exciting times ahead for the local defence and aerospace industries. South African development needs require imaginative thinking about the growth of the advanced manufacturing sector and the contribution it can make to the national efforts to expand infrastructure, increase the mobility of the population and grow access to economic opportunities.



The Denel Group in general, and Denel Aerostructures in particular, is ready to play a leading role in such future developments.

Denel's strategic success revolves around a strong stakeholder alignment, including the Departments of Public Enterprises, Defence and Military Veterans, the National Treasury, parliamentary committees and government on a wider front. Engagements with key stakeholders are on-going aimed at resolving issues, as well as supporting Denel in its endeavours to secure new business. These engagements have shown a remarkable improvement in the relationship between Denel and its stakeholders over the last 12 months.

I view people as the key driver to business success, and we are committed to creating an environment that attracts and retains critical skills. Learning, personal development and job satisfaction remain key components of Denel's human resource strategy to ensure a competent and motivated workforce. Please refer to page 38 where we highlight some of the talents within DAe.

In the past year we announced a restructuring of the business units within the Group and the appointment of key executives to support our objectives of transformation, employment equity and succession planning. The creation of a diverse and empowered workforce is of the utmost importance to Denel and this is a specific management focus area.

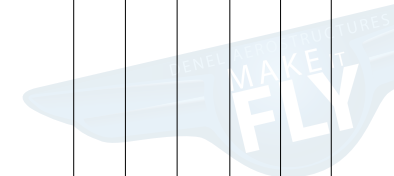
I am excited about the progress that is made on our youth development programmes aimed at building our internal skills pipeline and enhancing the potential of our youth. Our approach is to "grow our own timber" to ensure a healthy talent pipeline that the business can tap into.

I wish to express my appreciation for the continued interest and support that DAe receives from the Minister of Public Enterprises, the Deputy Minister and the Director General. The company also enjoys on-going productive relationships with other government departments and institutions, such as Defence and Military Veterans, Science and Technology, Trade and Industry, Armscor and the CSIR.

My heartfelt thanks also goes to the Board of Denel Aerostructures, the executive management and each and every employee in the company who once again made it possible for Denel to report improved financial, operational and governance results for the year.

Through your passion and commitment to your work we will be able to make the 2013/14 financial year an even greater success.

Riaz Saloojee
Chief Executive Officer: Denel Group



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CHAIRMAN'S REPORT

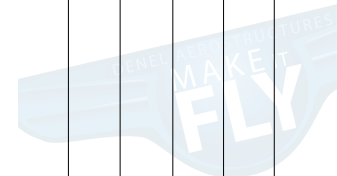
The past financial year has been a very successful and rewarding period for Denel Aerostructures. Guided by the decisions of the Board and led by a dynamic management team the company has taken significant strides towards a financial turnaround that should result in a sustainable business model.

An undoubted highlight has been the successful renegotiation of our agreement with Airbus Military on the work packages for the A400M programme. Denel Aerostructures is exceptionally proud of its contribution to this international manufacturing enterprise which is also testimony to the capacity of the South African aerospace industry to participate in the global environment.

This was, subsequently, followed by a decision to place a third work package on Denel Aerostructures, for the ribs, spars and swords on the A400M's vertical tail plane.

Our success in establishing and maintaining partnerships like the one with Airbus Military is one of the pillars of our growth strategy, and it will make Denel profitable on a sustainable basis, improve our financial performance while also contributing to our national socio-economic imperatives.





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The contract strengthens Denel's position in South Africa's aerospace industry and reconfirms the company as a strategic national asset, recognises its contribution to skills development and advanced manufacturing, as well as its potential to generate export revenue for the country. In addition to the agreements with Airbus Military, Denel Aerostructures has also entered into manufacturing agreements with other global suppliers, and is short-listed for a variety of other work packages .

During the year under review the company received the R700 million capital injection allocated in the 2012 National Budget. This indicates the confidence of the Shareholder in our continued ability to contribute to advanced manufacturing in the country.

The company now finds itself strategically placed to take advantage of a number of opportunities that are opening up in the global aerospace environment. We have built strong and productive relationships with many of the world's major original equipment manufacturers and our track record over the past few years demonstrates that we have the capacity and the capabilities to be a reliable Tier 1 supplier . As a result of DAe's proven turnaround strategy and strong strategic relationships with global OEMs and Tier 1 Suppliers, DAe's bid room has been inundated with requests for proposals. We are confident that in the coming months that we will be successful in winning new work packages.

Despite the global economic downturn the future of the aviation industry remains buoyant and we are confident that Denel Aerostructures will be able to attract a portion of this business.

Within South Africa we are encouraged by the strong emphasis placed by government on the ability of the manufacturing sector to create jobs, develop skills, expand South Africa's economic base and meet our developmental goals.

The aerospace sector is a critical generator of new technologies and technical skills that can act as a catalyst for industrialisation and evolution towards a knowledge based economy.



THE COMPANY IS
WELL ON ITS WAY TO
A PROFITABLE AND
SUSTAINABLE FUTURE



PROPEL US TOWARDS A SUSTAINABLE FUTURE

The company is thus looking forward to participate in the Joint Aerospace Steering Committee established in terms of the Industrial Policy Action Plan (IPAP) with the intention to bring together stakeholders in a single, representative forum.

We are similarly excited about the future implementation of the recommendations made by the Defence Review Committee and the decisions that will soon be taken on a number of major aircraft acquisition packages.

This presents a once-in-a-generation opportunity for South Africa to stimulate the local aerospace industry and thus ensure that it becomes a catalyst for growth in the advanced manufacturing sector.

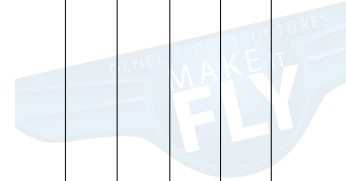
Denel Aerostructures has turned the corner and the company is well on its way to a profitable and sustainable future. I want to express my sincere appreciation to our shareholder, the South African Government and Denel SOC Ltd, for its sustained support during the company's lean years.

The Minister of Public Enterprises, Mr Malusi Gigaba, the Deputy Minister, Director General and senior executives have been valuable supporters of the company and provided us with the requisite patronage and encouragement during delicate contract negotiations.

We continue to be the proud subsidiary of Denel SOC, a company which has grown into South Africa's premier defence, security and technology solutions provider. I would like to acknowledge the strong support and collective wisdom we continue to receive from the Board and executive management of Denel SOC.

A word of sincere appreciation to the Board of Denel Aerostructures, the Chief Executive Officer, Ismail Dockrat, senior management and all employees of the company. Your loyalty towards the company and your on-going commitment to excellence and high standards has sustained the company through challenging years, but will also propel us towards a sustainable future.

Dr Gert Cruywagen
Chairman of the Board: Denel Aerostructures



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DR. GERT CRUYWAGEN (57)

CHAIRMAN: DAe Board

MBSc, PhD, PMD, FIRM (SA), Risk Management Diploma, Certificate Advanced Security Management

DENEL BOARD COMMITTEE MEMBERSHIPS:

Member of Audit and Risk Committee, Social and Ethics Committee and Chairman of DAe

OTHER DIRECTORSHIPS:

Member of the King committee on Corporate Governance, chairman of the group risk management committee of the City of Johannesburg and chairman of Cruywagen-IRMSA risk foundation. Trustee of GCM Trust, Tsogo Sun Group Medical Aid Scheme and Tsogo Sun Pension Fund, director of risk of Tsogo Sun group and convener of risk work group (King II and III). South African Risk Manager of the Year in 2001 and 2009. Honorary life member of the Institute of Risk Management (UK) and honorary member of the Polish Risk Management Association (POLRisk) and the Russian Risk Management Association (RUSRisk).

RELEVANT SKILLS, EXPERTISE AND EXPERIENCE:

Leadership in corporate governance, the governance of risk, reporting and discipline, risk and insurance management, understanding of internal audit and control processes and strategy formulation
Appointed to the Board on 4 October 2010

BULELWA PALEDI (42)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BA, LLB, LLM

DENEL BOARD COMMITTEE MEMBERSHIPS:

Non-executive Director of DAe

OTHER DIRECTORSHIPS:

Non-executive director of ICC (DBN), executive director Ndamse Incorporated and Faku Investment Holdings (Pty) Ltd.

RELEVANT SKILLS, EXPERTISE AND EXPERIENCE:

Leadership, legal and business management
Appointed to the Board on 15 February 2011

FIKILE MHLONTLO (44)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Denel Group Chief Financial officer
B Compt, B Compt (Hons), CA (SA)

DENEL BOARD COMMITTEE MEMBERSHIPS:

Permanent invitee to audit and risk, personnel, remuneration and transformation and social and ethics committees, non-executive director of RDM, Tawazun Dynamics and LMT Holding, as well as trustee of Denel Post-Retirement Trust

OTHER DIRECTORSHIPS:

Former director and audit partner of one of the big four audit firms, and held various management positions. LoveLife Audit and Risk Committee member

RELEVANT SKILLS, EXPERTISE AN EXPERIENCE:

Leadership in financial management, financial reporting and discipline, corporate governance, understanding of audit process and strategy formulation
Appointed to the Board on 31 August 2011



ABDUL CARIM (47)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Deputy CEO of Denel Aviation
B Com BAcc CA (SA)

OTHER DIRECTORSHIPS: Non-executive director of DAe and has held various CFO roles in government and other state-owned entities before joining Denel

RELEVANT SKILLS, EXPERTISE AND EXPERIENCE:
Financial management, financial reporting and management accounting
Appointed to the Board on 3 August 2012

ISMAIL DOCKRAT (43)

EXECUTIVE DIRECTOR DAe

Chief Executive Officer of Denel Aerostructures
MBA, Certificate in Programme Management, NDip Electronics Engineering

DENEL BOARD COMMITTEE MEMBERSHIPS:
Previous Non-Executive director of Denel SAAB Aerostructures (Pty) Ltd, TMA (Pty) Ltd and Chairman of DPS (Pty) Ltd

OTHER DIRECTORSHIPS:
Former positions include CEO of Denel Aviation, CEO of Wesgro, GM at TISA and Manager at Armscor

RELEVANT SKILLS, EXPERTISE AND EXPERIENCE:
Strategic leadership, business management, programme management and turnaround management. Ten years experience at CEO level.
Appointed to the Board on 1 March 2010

CHRISTINE SLABBERT (31)

EXECUTIVE DIRECTOR DAe

Chief Financial Officer of Denel Aerostructures
B Compt (Accounting Sciences), B Compt (Hons)(CTA), CA(SA), Advanced Executive Development Programme: UNISA SBL School

DENEL BOARD COMMITTEE MEMBERSHIPS:
Chief Financial Officer : Denel Aerostructures, Member of Densecure Audit and Risk Committee, Formerly on the Audit and Risk Committee of Denel Technical Academy

OTHER DIRECTORSHIPS:
None

RELEVANT SKILLS, EXPERTISE AND EXPERIENCE:
Expertise in Financial Management and ensuring an effective internal control environment and the implementation of corporate governance principles. Experience in turnaround strategies and the implementation thereof.
Appointed to the Board on 5 October 2010

BOARD OF DIRECTORS



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SOUTH AFRICA IS BEING
RECOGNISED FOR THE
CONTRIBUTION IT CAN MAKE
TO THE GROWTH OF A FUTURE
HIGH-TECH MANUFACTURING
INDUSTRY.





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CONTRIBUTION FROM THE CEO

It is hard to imagine that it has been only 110 years since man first took to the sky in a controlled powered airplane flight. In the ensuing 11 decades, aerospace and aviation have exceeded all the initial expectations that were raised following the initial 37 metre flight on a gusty day in Kitty Hawk, North Carolina.

Since then we have moved from motorised gliders to propeller driven aircraft to the modern-day powerful jet engines. We celebrated the first non-stop flight from London to Johannesburg; the first circumnavigation of the globe; we designed massive airliners that can carry more than 500 passengers at a time; we broke the sound barrier and, in the words of the poet, “slipped the surly bonds of earth” in our quest to reach the moon and beyond into the vast outer limits of our solar system.

All this has been achieved because of the pioneering spirit of the human race, aided and accelerated by rapid advancements in science, engineering technology and in the development of new materials which can withstand the demands of gravity while being lighter, more flexible and more cost efficient than in the past.

The rapid advances made in the utilisation of composite materials in recent

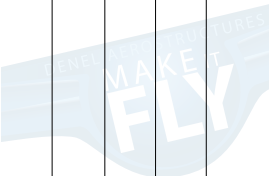
years point to the prospect of the aerospace industry making another leap into the future through the development of materials that are lighter, stronger and more durable thus creating safer and longer-lasting airframe structures.

Denel Aerostructures finds itself in an ideal position to derive maximum benefits from the new trends in the utilisation of composites and nanotechnology. We have made well-judged investments in composite technology and our participation in the construction of the A400M airlifter has provided us with critical exposure to leading-edge thinking in design, industrialisation and manufacturing.

AEROSPACE AT CORE OF HIGH-TECH GROWTH

There are encouraging signs that the aerospace sector in South Africa is being recognised for the contribution it can make to the growth of a future high-tech manufacturing industry. Government’s Industrial Policy Action Plan (IPAP) singles it out, together with nuclear and advanced materials, as a sector with the potential for long-term advanced capabilities.

The National Development Plan notes the importance of growth in the manufacturing sector through intensified Research & Development support



DENEL AEROSTRUCTURES FINDS ITSELF IN AN IDEAL POSITION TO DERIVE MAXIMUM BENEFITS FROM THE NEW TRENDS IN THE UTILISATION OF COMPOSITES AND NANOTECHNOLOGY.

for product development and industrialisation and public procurement policies that will promote localisation and industrial diversification.

The South African Aerospace Sector Development Plan emphasises the value that aerospace brings towards the growth of a knowledge economy through the economic multiplier effect and its ability to act as an industrial technology generator for other industries.

NEXT STEP – IMPLEMENTATION

With the policy framework now firmly in place the next phase is the implementation of programmes and projects which can tap into the capabilities already available in the South African industry and mobilise the accumulated investments in knowledge, skills and capital.

Across the world and throughout history the growth of high-technology industries, such as aerospace has typically been sustained through some joint national effort or significant public sector investment designed to stimulate research and development and support initial start-up costs.

The spectacular growth of the Airbus Industry since 1970 would not have occurred without the investments by key European countries and firm commitments from across the continent to support next generation developments and the purchase of future products.

Similar public sector support was provided for the establishment and growth of robust aerospace companies in Brazil, Russia and Canada.

Vital decisions will be taken in the next 12 to 18 months on three major acquisition packages that are on the State’s agenda – a major renewal of the long-haul fleet for the national carrier; the introduction of new generation planes on regional routes for South African Express and the strengthening of the South African Air Force tactical transport and maritime protection capabilities.

Interest among original equipment manufacturers from across the globe to deliver aircraft for each of the requirements is high and the international experience has shown that this will be accompanied by offset offers that cover a range of potential opportunities that might bring benefits to the local industry.

The challenge will be to leverage these transactions to their maximum levels and channel the ensuing investment towards the most deserving sectors of the economy. Local industry must derive maximum benefit from the offsets that will be on the table – and this should not only include gains in areas, such as training and maintenance, repair and overhaul work, but, especially in advanced manufacturing and assembly.

The participation of local companies, such as Denel Aerostructures in global manufacturing projects has proven that we have a good track record, collective knowledge, technology,

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facilities and experience to participate fully in future programmes from the design stage through to industrialisation and manufacturing.

Investment in technology-intensive industries, such as aerospace is a highly effective mechanism to increase the technological capacity of a society with the potential to stimulate innovation, create employment and become a force for wealth creation.

Aerospace is an industry with a high-impact on the rest of the economy. It has an economic multiplier effect of at least four; each job in the industry creates at least four others downstream in the economy. The sector's development and utilisation of highly-skilled workers has a ripple effect on areas, such as consumer spending, the property market, vehicle sales, durable goods, support services and leisure industries.

In addition, it stimulates the growth of niche industries in the manufacturing sector – many of them small and medium-sized enterprises and strengthens the country's advanced technology capacity and critical human capital base.

The new acquisitions and the prudent management of the offsets can strengthen the industry and ensure the long-term sustainability of the South African aerospace sector.

RECAPITALISATION OF DENEL AEROSTRUCTURES

Government's decision to allocate R 700 million for the recapitalisation of DAe in the 2012 budget indicated the confidence of the Shareholder in the long term future of the business. The funds have strengthened the company's balance sheet and will enable DAe to achieve the turnaround of the business and return to profitability earlier than anticipated.

The quality of financial management and Board oversight was highlighted when the company received an unqualified audit report from the external auditors for the third successive year.

RELATIONSHIP WITH AIRBUS MILITARY

The work packages performed on the A400M constitute the primary business of DAe. The previous financial year was characterised by constructive negotiations with Airbus Military, culminating in the signing of a term sheet agreement between the two companies in November 2011.

In 2012 this process was concluded with the signing of a renegotiated agreement between Denel and Airbus Military, hosted at our Kempton Park campus and attended by the Minister of Public Enterprises, Malusi Gigaba and senior executives from Airbus and Denel.

This agreement is the new framework for the work DAe does on the Top Shells and Wing-to-Fuselage Fairing. Denel Aerostructures is responsible for the design, industrialisation and manufacturing of these critical parts.

Subsequent to the signing of the agreement Airbus Military awarded a third major contract to DAe. The "ribs, spars and sword" form the inside structure of the A400M's very distinctive

vertical tail plane. The seven metre by two metre structure has been designed by Denel Aerostructures and will be manufactured out of composite materials at our production facilities.

During the course of the year I have had numerous interactions with senior executives of Airbus Military, including the senior vice-president commercial, Antonio Rodriguez-Barberán, who attended the signing of the new agreement and the Head of Airbus Military, Cedric Gautier. He expressed confidence in DAe's ability to deliver on time, within specifications and within budgets.

I also visited a number of key Airbus facilities in Europe, including the headquarters in Toulouse, France, Airbus Military's facility in Madrid, the production plant in Bremen and the final assembly line in Seville, Spain.

I was impressed with the high regard in which Denel Aerostructures is being held within this multinational manufacturing venture which has brought together industry leaders from across Europe. As a risk-sharing partner and the only local Tier 1 supplier to the A400M, DAe is duly recognised for the contribution it is making to the success of this programme.

ACHIEVING OPERATIONAL EXCELLENCE

The milestones on the A400M programme were achieved during a period in which the company completed its final move to consolidate all production processes in one facility.

This decision was taken by management to save money through better utilisation of space and increased efficiency and productivity which will provide a stable basis for further expansion.

I want to express my appreciation to management, the responsible executives and all staff members for the successful completion of the relocation without any losses in productivity and without the company defaulting on any of its deadlines or project milestones.

The entire company is now settled under one roof which also strengthens the identity of the company and fosters a sense of pride in the products we deliver.

In 2013 we intend to take this process further through the refurbishment of our office facilities to create a working environment which each and every employee can be proud of and to project a dynamic customer orientation.

EXPANDING THE BUSINESS

A new contract for the manufacturing of the winglets on the new US Business Jet was an important achievement during the year. The awarding of the contract, again, recognises DAe's ability to manufacture critical components out of composite materials and followed on a comprehensive audit of our facilities and processes.

The new US Business Jet adds to the impressive list of original equipment manufacturers that have partnered with Denel Aerostructures in recent years and which also includes Boeing, Airbus, Saab and AugustaWestland to name a few.

It also confirmed DAe's capacity to be a supplier within the civilian aviation industry and validates the growing number of approvals and certifications that we have achieved from industry bodies, such as Bureau Veritas and NADCAP.

Through the activities of our new marketing team DAe has maintained a high visibility at a number of international air shows and defence exhibitions across the world, including the well-known Farnborough event in the United Kingdom and the DSA air show in Malaysia.

The biennial African Aerospace and Defence Exhibition (AAD2012) is growing in stature as an event that attracts key decision makers in the defence and aerospace industries to South Africa. DAe was part of the broader Denel exhibition at AAD and also used the opportunity to meet with senior representatives from a wide range of Original Equipment Manufacturers.

The Airtec Trade Fair in Frankfurt, Germany is widely regarded as the premier global event for the aerospace industry. This year I was invited to deliver a keynote address at Airtec and used this opportunity to meet with a wide range of senior industry representatives and market the capabilities and capacity of DAe to these key audiences.

FUTURE PERSPECTIVE

Denel Aerostructures is now firmly established as South Africa's leading aerospace company and a partner of choice in a growing number of manufacturing ventures with some of the world's most prominent Original Equipment Manufacturers.

Internally the company has emerged from a period of loss making to the point where the financial turnaround strategy is delivering results and where modest profits can be expected over the medium term.

DAe's position within the Denel Group gives it access to the resources, reputation and accumulated experience of South-Africa's premier strategic partner for defence, aerospace and security-related products and technology solutions.

Our track record on the A400M programme and its successful delivery on major projects has earned Denel Aerostructures its reputation as a top tier supplier of complex composite and metallic aircraft structures.

The company is strategically positioned to take advantage of new opportunities opening up in the global arena and to play a leadership role in the emergence of South Africa's own aerospace and high-tech manufacturing industries.

This was also a year which placed huge demands on our employees as we went through the restructuring process and launched initiatives to create a leaner and more responsive organisation. I want to express my appreciation to all employees of Denel Aerostructures for their contributions and to thank them for their on-going loyalty and commitment.

This annual report is dedicated to the employees of Denel Aerostructures. Throughout the document you will notice profiles of, and interviews with, employees across the various divisions to celebrate the diverse skills and backgrounds of the people who, together, "make Denel Aerostructures fly."

Ismail Dockrat

Chief Executive Officer: Denel Aerostructures



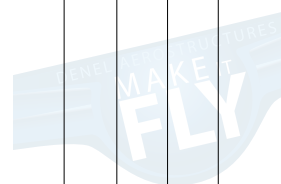
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OPERATIONS

It was Albert Einstein who coined the phrase “Everything should be made as simple as possible, but not simpler”. It is thus not surprising that ‘making complex things’ as simple as possible has always been at the heart of DAe’s Operations. By driving ongoing alignment and integration across its value chain through a well-developed production planning system this objective is being realised. This world-class production process begins with product industrialisation and supply chain management through to aerostructures part production, assembly and delivery to customers.

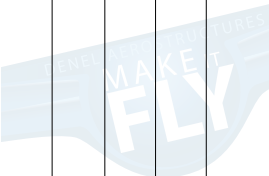
The proven ability to design and produce ultra-lightweight aerostructures remains an important distinguishing feature of our operations. It provides DAe with a niche position to supply advanced products to both aircraft companies, such as Airbus and Boeing, as well as their top tier suppliers. The focus of this technology lies within the ability to perform high-speed, deep pocket, thin web machining and producing double curved, lightweight, composites

material panels, as well as complex aerostructures assemblies, meeting international aerospace quality standards.

Through close co-operation with our customers, DAe continues to improve its processes to manage the tight integration required for reliable and cost-competitive capacity demand across our value chain. A number of important initiatives to bolster our production reliability and robustness are in progress. These include selective buffer stock production, improved maintenance programmes for our equipment and developing alternative sources of supply.

The restructuring highlight during the financial year is no doubt the large scale consolidation of our rental footprint and facilities. This project allowed DAe to half its rental footprint to substantially reduce its fixed cost. This industrial restructuring led to improved production flow and productivity.





The past year saw significant production growth at DAe's Operations as the production ramp-up of the Airbus A400M tactical transport aircraft progressed as planned. Underlying this growth is continuous production optimisation, streamlining of workflow in the now consolidated operations facility and new facility expansion in order to meet production capacity targets. Managing the production ramp-up planned for 2013 onwards and expanding capacity to meet growing production demand remains a critical focus area.

Going forward, greater emphasis will be placed on targeted new business development that match our technology focus. In addition, local supplier development and strategic sourcing of non-core services will be expanded to both reduce total cost to the company and expand capacity whilst curtailing upfront capital investment. Interpreting the operations at DAe as merely the actual physical fabrication of airframe sections would be too narrow a focus of its essential role. At the core of advanced manufacturing lies the integration of new innovative technologies in both products and processes leading to superior manufacturing proficiency. This ability of 'making complex things' deserves to be placed in a larger societal context

of sustainable economic growth and job creation. This can be achieved through localising work in South Africa through smart partnership development centred on national aircraft fleet procurement. Ultimately the ability to develop insightful links between research initiatives and advanced manufacturing will enhance our national competitive edge.

The Ekurhuleni Metropolitan Municipality's strategic plan to develop an Aerotropolis around the O.R.Tambo International Airport remains an important initiative that will provide momentum to growth in the aerospace sector with DAe situated next to the O.R. Tambo airport, we are looking forward in forming a vital part of the Ekurhuleni Aerotropolis.

Theo Kleynhans
Chief Operations Officer



THIS ABILITY OF 'MAKING COMPLEX THINGS' DESERVES TO BE PLACED IN A LARGER SOCIETAL CONTEXT OF SUSTAINABLE ECONOMIC GROWTH AND JOB CREATION



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FINANCE

Denel Aerostructures has achieved three consecutive financial years its corporate plan and exceeded financial performance expectations. Refer to the Revenue & Net Profit/(Loss) Performance graph.

We believe that we could not have achieved these successes without incorporating and strengthening good corporate governance, strict financial control and review, as well as the contribution of each and every employee within the company.

With DAe entering the serial production phase on the A400M programme we will see a steady positive impact on the financial performance of the company. The production ramp-up of the A400M programme will impact positively on stock turn rates, learning curve improvements in production, as well as cash flow management and planning.

The Financial year under review was also the first year-end audit with the newly appointed group external auditors, namely SizweNtsalubaGobodo. DAe achieved an unqualified audit report for the 2012/2013 financial year with no significant audit issues to be reported. Management wants to thank the external audit team for the professional manner in which the year-end audit was conducted, taking into account that high learning curves was required for an integrated and detailed company, such as DAe.

A few highlights from a financial point of view will be reported below:

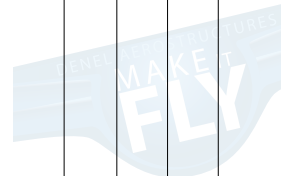
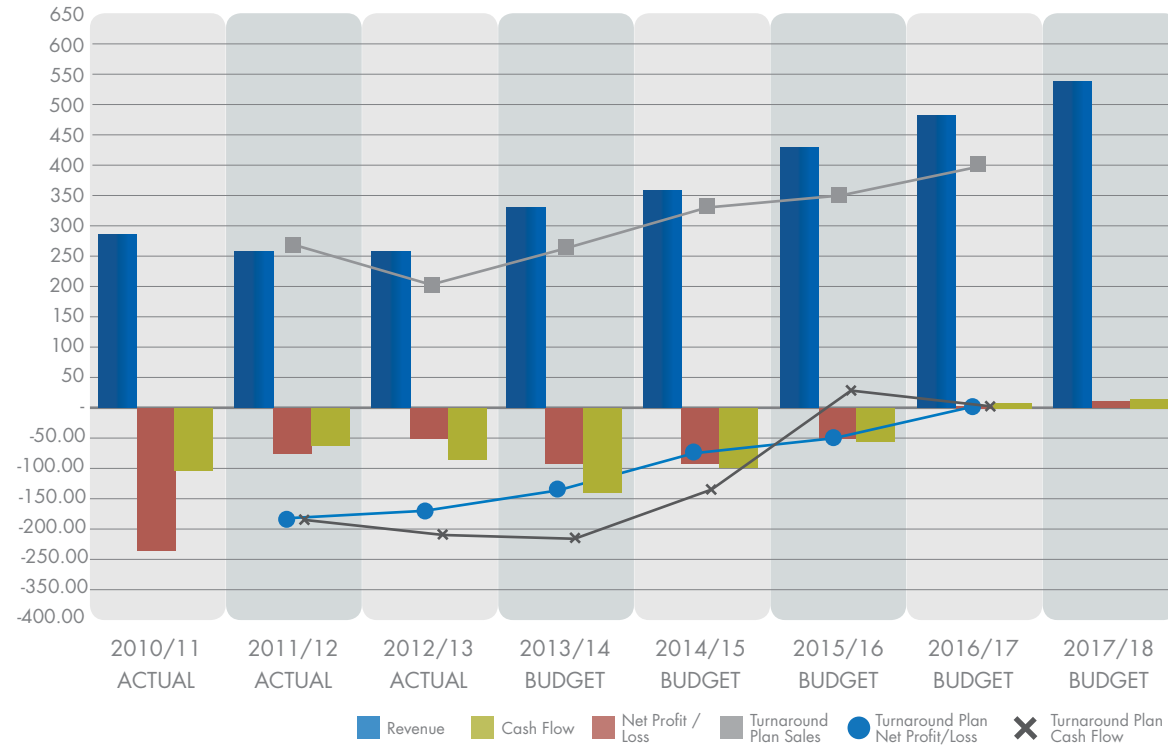
- The A400M Wing to Fuselage Fairing (WFF) and Top Shells (TS) contract amendments, which have been negotiated to be commercially viable, were signed by DAe and Airbus during the year under review.
- As part of the contract renegotiation commitments, Airbus also agreed to continue with the transfer of the Ribs, Spars and Sword (RSS) work package to DAe.
- DAe secured an additional commercial work package relating to the composite winglets for a reputable USA business jet manufacturer. The contract represents an important milestone for DAe as it enters into the North American business jet aerospace market.
- Various other restructuring activities took place during the year under review, such as the footprint consolidating project whereby the rental footprint was reduced from 54 000m to 25 000m². This restructuring activity has ensured more sustainable rental fees and a leaner organisation-going forward.



Christine Slabbert
Chief Financial Officer

- DAe is being recognised as a reliable on-time and on-quality supplier in the Airbus global supply chain network. As such it has been requested to quote on additional Airbus work packages. Securing these work packages would provide for additional sales volumes in support of the DAe business plan for the coming years.
- DAe has attracted major players in the global aerospace industry to visit the facility in order to initiate strategic relationships and possible future work packages. Realising that the fundamentals of the business has been corrected in the past 3 years of turnaround, the bid room team is working endlessly in preparing bids to increase future sales orders.
- The remaining SAAB and AgustaWestland orders were concluded in November 2012 and marked the end of these programmes. SAAB management visited DAe during the delivery of the last few orders and addressed DAe employees to thank them for their excellent service delivery in the past few years and that DAe was ranked as one of the top suppliers within the SAAB procurement fraternity.

Revenue & Net Profit/(Loss) Performance



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HUMAN RESOURCES

The Human Resources strategies within Denel Aerostructures (DAe) are aligned to support the business objectives of DAe, as well as National objectives set by our ultimate shareholder DPE. DAe is committed to the development of people and has put together programmes that ensure that employees reach their full potential, experience job satisfaction and improved commitment to the company.

ARTISAN TRAINING

DAe offers two types of formal apprenticeship programmes in collaboration with the Denel Technical Academy. Programme for school leavers and one programme for adults. School-leaving learners spend the first year on theoretical training and the remaining two years undergoing practical training. The adult artisan programme, assists employees who do not have any theoretical training but have extensive on the job experience. These employees need to complete specific practical and theoretical training to qualify as an artisan. There are currently 26 employees on the internal artisan training scheme and 17 learners on the formal apprentice training scheme.

TRANSFORMATION

DAe has been evaluated by an external agent on B-BBEE and obtained an overall level 4 score for the 2011/2012 financial year. The target for the 2012/2013 financial year was to maintain this score of level 4 but achieved a level 3 overall score due to the successful implementation of transformation strategies.

IMPROVING ORGANISATIONAL CLIMATE

The plans to improve the organisational climate are evaluated by an external consultant and the overall score has improved from 78% in 2011/2012 to 85% for the 2012/2013 financial year. This indicates that management is on the correct path in creating a positive working environment.

LEADERSHIP AND MANAGEMENT DEVELOPMENT PROGRAM

Denel Aerostructures ensures participation in the Denel Leadership programs provided by UNISA, which provides leadership and management development for employees at different levels of their careers.

MENTOR/MENTEE PROGRAM

DAe launched a formal mentor/mentee program with an initial 20 candidates. The program will run over a 12 month period and will be monitored by an external service provider.

CAREER PATHS

Career paths within the engineering, technical and artisan categories have been established with related criteria to progress between the different levels within the job category. Evaluation of employees are done twice a year to ensure that employees progress in the various technical fields.

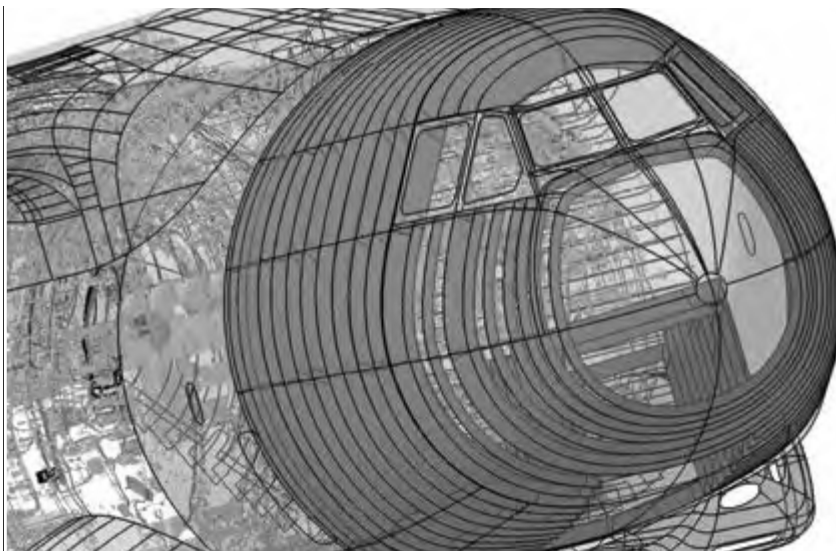
AWARDS

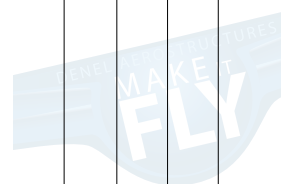
DAe recognised the top 10 performers within the company during a visit from the Minister of Public Enterprises in September 2012.



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ENGINEERING





RETENTION OF SKILLS

Various programmes were initiated to retain skills within the company, which has resulted in a reduction of the employee turnover by 5.7% during the past two years.

Denel Aerostructures (DAe) maintains a highly skilled engineering contingent of approximately 60 permanent employees, supported by fixed-term contractors during times of peak loading.

MAIN PROGRAM ACTIVITIES

During the 2013 financial year the engineering department continued to support the A400M Wing-to Fuselage Fairing (WFF) and Centre Fuselage Top Shell programmes. In terms of the WFF, design activities relate to small modifications to optimise Final Assembly Line (FAL) production. For stress, the Certification Dossiers and the Structural Repair Manual (SRM) were delivered.

In addition DAe was awarded the manufacturing of the Airbus A400M Ribs, Spars and Sword (RSS) work package. This includes Engineering Certification activities, such as strength justification testing, updating of drawings with new testing requirements and production support. In parallel, the testing of specimens was to approve the factory for certification purposes, as well as the updating of the Quality Requirements Sheet (QRS).

Due to the excellent performance on the A400M program, the manufacturing of the A400M Iso-Locks work package was awarded to DAe, which involved engineering liaison support. DAe's strong engineering performance on the Airbus A400M resulted in several written accolades from Airbus and public acknowledgements at Airbus media events.

INTERGROUP ACTIVITIES

Denel Aerostructures partnered with its sister company, Denel Dynamics, on the Seeker 400 unmanned aerial vehicle (UAV) program and has been supporting them in terms of the redesign of various components for weight optimisation. DAe aims to embed a strong relationship with Denel Dynamics and to support it on structures-related work in the future for UAV's.

DAe also provides engineering support to Denel Aviation on its Rooivalk combat support helicopter program in terms of design office and structural analysis support.

In collaboration with Denel Aviation, DAe has been working on a possible national programme to design a Regional Turboprop Aircraft. A feasibility and aerodynamic study has been done on the preliminary concept and a cabin and cockpit mock -up is expected to be built by the end of the 2013/2014 financial year. The mock-up will be used for marketing and technical evaluations, for example: cockpit ergonomics, emergency evacuations and cargo loading.

SKILLS DEVELOPMENT

DAe has a well-structured incubation program where by junior engineers and technicians are allocated to engineering tasks under direct mentorship of senior engineers in a range of specialist fields. This allows South African engineers to gain the prerequisite years of experience required by international Original Equipment Manufacturers (OEMs), such as Airbus to be accredited to sign off on engineering deliverables within their OEM system. Another company initiative involves the training of mentors/mentees to guide engineers in a structured way to further their careers. A number of senior managers are involved in this program at Denel Aerostructures.

TECHNOLOGY DEVELOPMENT

Over the years, DAe's low level of involvement in Research and Development has led to a disconnect between its needs as an Industry leader in South Africa and the research done on the lower technology readiness level (1-4). The company is currently focusing on rectifying this situation by providing direction to local R&D efforts that it could potentially benefit from. In this regard it is in regular and fruitful communication with, for instance, the CSIR's Materials Science & Manufacturing department and the Universities of Pretoria and the Witwatersrand (Wits).

In addition to the external activities DAe has also implemented its own R&D activities within the Engineering department. The company recently obtained AISI (Aerospace Industry Support Initiative) funding in support of its research project on Ultra High Cycle Fatigue testing. It also applied for funding on researching Out-of-Autoclave Manufacturing techniques. To support its manufacturing facilities and capabilities, Engineering is planning a number of pilot projects in which it will make use of simulation and analysis expertise to improve productivity. The first of these projects that will be run as part of DAe's Sustainable Transformation Enhancement Program (STEP) will look at improved productivity in the High Speed Machining facility by making use of natural frequency analysis and smart programming.

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BUSINESS DEVELOPMENT

Through all of these efforts, DAe intends to not only improve productivity, but also to ensure that it stays at the cutting edge of technology in South Africa, as well as internationally. Denel Aerostructures (DAe) continues to implement Business Development strategies aligned with the Denel Group's framework. A significant highlight for the 2013 financial year was the recruitment of skills in the disciplines of stakeholder relations, market intelligence, as well as sales and marketing. The strengthening of the core team has benefited the Business Development strategy of revenue growth by gaining market focus, developing a robust lead pipeline, engaging with customers for Request for Quotes (RFQs), strengthening market research intelligence and implementing Customer Relationship Management (CRM) initiatives. Implementing these strategic drivers continues to make significant contributions to the ongoing turnaround of Denel Aerostructures. This has increased DAe's confidence in securing a sustainable base load of work orders to meet its five year corporate plan.

During the 2013 financial year, the following highlights needs mentioning:

- Deepened relations with current customer base, resulting in the ceremonial celebration of the Airbus A400M contract re-negotiation. This was attended by the Minister of the Public Enterprises, Mr Malusi Gigaba, as well as a senior management delegation from Airbus Military, and the embassies of Spain and France.
- The signing of a third work package, with Airbus Military. The contract includes the manufacturing of Ribs Spars and Swords (RSS) which are composite structures integrated into the Vertical Tail Plane of the Military Airlifter.
- The awarding of ad hoc design, development and manufacturing packages by Airbus Military on the A400M programme.
- Leverage of the strong DAe-Airbus Military relationship to access the Airbus Commercial and the Airbus extended supply chain, including its Super Tier 1, Tier 1 and Tier 2 suppliers, such as Spirit Aerosystems, GKN Aerospace, RUAG and Alenia Aermacchi.
- Leverage of the domestic fleet procurement programme, such as SA Express (SAX) regional jets, DoD Maritime Surveillance (project Saucepan) and SAA's potential acquisitions through continued dialogue between relevant government departments and State-Owned companies (SOCs), as co-ordinated by the Department of Public Enterprises.
- Strengthened participation and representation within the Aerospace Sector Development Plan and its associated Joint Aerospace Steering Committee.
- Showcasing Denel Aerostructures as a catalyst for advanced manufacturing specialising



Colin Singarum
Executive Manager
Business Development

in design, development and manufacturing of complex metallic and composite structures. On an international platform, a significant showcase was made at the Airtec 2012, in Frankfurt, Germany. This is an annual Global Aerospace Supply Chain Fair which incorporated a summit. The CEO of DAe was invited to be one of the speakers and presented a case study of the lessons learnt through the design, development and manufacture journey of the A400M packages. On a local platform, a significant presentation was made at the 5th BRICS Summit in Durban. The DAe CEO was invited to present on the topic "The South African Aerospace Manufacturing Capability" at the Inaugural BRICS Defence Industry Seminar.

- Strengthened relations with the Ekurhuleni Metropolitan Municipality which has seen an increase of DAe's participation and representation on the Municipality's strategic plan to develop an Aerotropolis around the O.R. Tambo International Airport. This is a significant addition to the Industrial Policy Action Plan (IPAP) which identifies aerospace as a primary sector with the potential for the long-term growth of advanced manufacturing capabilities.
- A significant increase in the volumes and rate of request for quotes, request for invoice and request for proposal received by the bid room, estimated to exceed approximately R2 billion of submitted bids.
- The increased focus on people that continues to improve organisational climate through entrenching a culture that is derived from values; a culture that embraces diversity and participation.

DAe'S CONFIDENCE IN SECURING A SUSTAINABLE BASE LOAD OF WORK TO MEET ITS FIVE YEAR CORPORATE PLAN.

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QUALITY

COMMITMENT TO QUALITY DRIVES DAe's PROCESSES

An enduring commitment to quality management is at the core of Denel Aerostructures' ability to be a recognised player in the highly competitive aerospace industry.

Quality management runs like a thread through all of the company's activities – from design, through training, all engineering and manufacturing processes, as well as its relationships with suppliers.

It is part of DAe's core values and among the most important qualities the company offers its clients.

In an environment where the quality of workmanship is measured in microns, DAe has established a global reputation for its adherence to excellence. The client list for which it has received top level certifications reads like a "Who's Who" of the world's top original equipment manufacturers (OEM) – Airbus, BAE systems, Saab, AgustaWestland...

Among the most prized certificates are those issued by Bureau Veritas, the world leader in inspection, testing and verification in the manufacturing industry. Bureau Veritas has awarded DAe its AS9100 Revision C certification – the highest level of recognition within the aerospace sector. This covers the company's design, development and production processes as well as the installation of its products.

In addition the company also holds the coveted NADCAP approvals for non-destructive testing, chemical processing, heat treatment and composites.

Certifications and approvals are given following a lengthy process of inspections by the verification agencies or the OEM itself. DAe is audited on an annual basis to validate its certification status. Through the years Denel Aerostructures has developed a comprehensive quality management system to document best business practice and meet the requirements and expectations of customers. As a subcontractor on the A400M programme the company complies with the requirements set out in a comprehensive manual issued by Airbus Military – the General Requirements for Aerostructures and Materials Supplies or (GRAMS).





Chris Hughes
Executive Manager
Quality

QUALITY CONTROL

DAe is a producer of high technology Composite and High Speed machined parts. To ensure the standards are maintained at the correct high levels the Quality Control Department uses modern laser measuring equipment to confirm compliance to the tight tolerances demanded by customers. A Metronor laser measuring system consisting of two cameras and a probe which accurately measures complex shapes within very tight tolerances. Within the Composite areas C-Scan equipment is used to ensure that all composite panels are free from flaws, inclusions and delaminations. The assemblies are measured for compliance using a Leica laser tracking system. This system allows the assembly to be compared to the 3D models of the complete assembly and can quickly identify any potential misalignment during the course of assembly.

Quality Accreditations

DAe holds the following quality accreditations:

- Bureau Veritas AS9100 Revision C;
- Numerous OEM Special Process Qualifications;
- DAe holds four Nadcap accreditations for the following special process disciplines:
 1. Chemical Processing;
 2. Non-Destructive Testing (Magnetic and Fluorescent) DAe is in the process to expand the scope to include Ultrasonic Inspection;
 3. Composite Manufacturing;
 4. Aluminium Heat Treating.

ACCREDITED BY:



CERTIFIED BY:



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DENEL AEROSTRUCTURES' PRIDE

At Denel Aerostructures we value our employees and see them as a shareholder. Our employees's performance and attitude contributes largely to our success. True to our company values, Denel Aerostructures is a hub for high performing, innovative and accountable individuals. In this report, we introduce you to some of our valued employees:





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JOSEPH MASAOMBUKA (65)

Machine Shop Operator

Joseph "Joe" Masambuka has worked for the company for over 45 years and began his employment in 1965 when it was still under the Atlas Aircraft Corporation title. He has taken on many positions in the company by starting of a messenger who delivered books on a three wheeled bike. He then moved into the printing shop during the 70s, 80s and 90s where he learnt to produce images in a darkroom still using the old metal plate system. In 1998 he was transferred to the Rooivalk project. He works as a Machine Shop Operator today and is set to retire later in 2013.

Joe is thankful for the fruitful career he had within Denel. He comments on his family's support: "They are very proud of me. I raised all my children while working for Denel Aerostructures and don't have any regrets". Once retired Joe says he will take time and enjoy his family.



VICTOR XABA (33)

Market Intelligence Manager

- B: TECH in QUALITY (Tshwane University of Technology)
- National diploma in Chemical Engineering (Tshwane University of Technology),
- Diploma in Project Management Fundamentals (Rosebank College)
- Diploma in Advanced Project Management (Damelin College)
- Certificate in Finance for Non-Financial Managers (GIBS)
- Certificate : Denel Senior Management Programme (UNISA)

Victor Xaba describes himself as a perfectionist. As the Market Research & Intelligence Manager of Business Development he is a busy man who says a typical day at work is “emails, emails, emails”. He studied Chemical Engineering at Pretoria Technikon and when Denel recruited students he was the only one chosen out of a group of 15. Since then he has worked his way up the company with seven job titles in seven years.

He thinks that working at Denel Aerostructures is its own educational experience, “Denel is the best university to go through... there is opportunity for growth here as it has a mandate to develop its own people”. Victor’s favourite aircraft is the A400M because “it puts Denel Aerostructures on the map.” He sees the company as a Phoenix, always rising from the ashes and coming back with more to offer. Victor believes that in the next ten years Denel Aerostructures will be a growing powerhouse for advanced aerospace manufacturing.



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ALAN ROBERTSON (53)

Senior Manager Production and Maintenance

- Post Graduate Certificate in Management (Henley)
- National Technical Diploma
- N4, N5, N6 certificates
- Airline Industry Executive Seminar
- Leadership Development Program for S.A.A.
- Finance for Non – Financial Managers courses (GIBS and SAA)
- A/C Maintenance & Reliability (Florida, USA)
- Project Leading

Alan has more than 31 years of aerospace experience at SAA Technical. Progressing from a fully qualified aircraft MRO technician to being a senior manager for various departments including the full complement of mechanical workshops and taking responsibility for production, planning, material and control for all maintenance activities. Thereafter Alan became the senior manager of the maintenance control centre overseeing all SAA Technical aircraft. Before joining DAe, Alan as head of major maintenance, had a staff complement of over 800 employees reporting to him and carried out up to 11 major checks concurrently. Managing complexity and high pressure on-time deliveries is his forte.

Alan firmly believes that the credit to the DAe successful turnaround must be given to the great leadership at DAe, the good working relationship with the Unions and the determination of all of staff to become World-Class. The employees is the heart of DAe, continually striving to find better ways to maximise efficiency, ensuring cost effectiveness, prescribing to health, safety and environmental regulations, though manufacturing parts and spares to the highest quality standards whilst still complying with all customer schedule demands. Alan is totally committed and confident that DAe is developing into a major player in the aerostructures industry.

NICOLETTE OLIFANT (35)

A400M WFF Designer

- S4 Mechanical Engineering Diploma
- N6 Mechanical Engineering Certificate

Nicolette Olifant is a Mechanical Designer within the Engineering Department, and has been with the company for 12 years. Her employment started after she completed her studies. She is also an A400M WFF Designer. While she portrays herself as an introvert she says she also enjoys working in a group environment at the company. As a woman in her field she explains how one needs to have confidence in your job but she says Denel has made her feel comfortable in her working environment. Nicolette works with CAD models and drawings and describes working for an aircraft company as 'Awesome'.

The highlight of her career at Denel was when she was able to travel overseas: "Denel has given me many opportunities. I lived and worked in Sweden for 18 months and have also been to Germany". She believes Denel Aerostructures has done amazing things and still has a bright future ahead. Her favourite aircraft is the Gripen as it was the first aircraft she worked on.



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ELIZABETH ABELHO (45)

Manager: Materials Technology

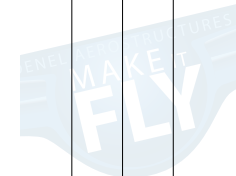
- BSc (Engineering: Metallurgy & Materials) - University of the Witwatersrand

I grew up in this company, and have seen it evolve from the Atlas Aircraft Corporation, through Simera/ Denel Airmotive/ Denel SAAB Aerostructures into the current Denel Aerostructures. Aerospace has always been enticing, and as a 19-year old student I applied for the bursary program for the second half of my studies. While I initially had a work-back contract, I have kept returning to Denel over the past 25 years. I really am very fortunate to have worked with Denel and other companies internationally as the experience I have gained has cross-pollinated, equipping me for the work I do today.

Materials Technology has always been my base. I see my role here as core: guiding a small team of highly competent engineers, doing the right things in the right way, building capability in the department, re-instating systems. There's no such thing as a dull day at work – sometimes I wish there was! Returning to Denel, from several years overseas, was a tough challenge but we're made of the right stuff: no regrets, loads of opportunity, positive attitude.

Favourite aircraft? Rooivalk in a heartbeat – it's the sexiest machine around.





GILES MARSHMAN (37)

Manager Logistics and Continuous Improvement

- Senior Management Programme (UNISA)
- Business to Business Marketing Diploma
- Supply Chain and Logistics Diploma
- International Business Management Diploma

Giles Marshman has a background in International Business Management and Procurement and previously was involved in the Senior Management Program at UNISA. He describes a typical day at work as “hectic” as he is on his feet and busy with meetings, shipments, discussions and walkthroughs. His favourite aircraft is the Airbus A400M. This is because “from the time the material comes in to the time it leaves the door we are there. It’s a proud moment for me when we say it’s ready to go”. In the future Giles hopes to lead Denel Aerostructures to a new level of world-class standards and he believes the company is on a path to grow bigger and stronger.

4. DENEL AEROSTRUCTURES BOAST WITH THEIR EMPLOYEES
5. SUSTAINABILITY REPORT
6. ANNUAL FINANCIAL STATEMENTS
7. INFORMATION SERVICES



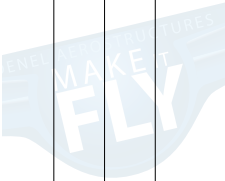
MAGGY SEREKU (27)

Communication and Marketing Intern

- Matric

Working as an intern in Marketing and Communications, Maggy Sereku is one of the company's investments in the community. She is sponsored by Denel Aerostructures and was chosen from Kids Haven in Benoni to be an intern at the company beginning January 2011. Maggy has "learnt the ropes" around her department and currently deals with communication and events.

Maggy says: "I always tell my sisters (at Kids Haven), it's so hard to find a job today but Denel has given me an opportunity. It's a very nice place to work at". She recommends to anyone who wants to get into the industry to focus their studies on maths and science. One person who has inspired Maggy to persevere in her job was a fellow Denel employee who saw her potential and told her she was capable. Maggy is outspoken and friendly and says that her favourite aircraft are the Gripen and Rooivalk.



4. DENEL AEROSTRUCTURES EMPLOYEES

5. SUSTAINABILITY REPORT

6. ANNUAL FINANCIAL STATEMENTS

7. INFORMATION SERVICES

ABOUT THE REPORT

This sustainability report provides a balanced, transparent and understandable view of DAe's sustainability activities during the year under review. It includes the company's impacts and contributions to the economic, social and natural environment in which it conducts its business. The report demonstrates the company's attitude and commitment to sustainable development, and is a means of communicating its attitude and commitment to its Shareholder, partners, customers, employees, stakeholder communities and the general public. The sustainability report provides comprehensive commentary on the organisation's sustainability and transformation efforts, as well as key non-financial performance indicators. The sustainability report presents a balanced view and disclose relevant and material information to stakeholders.

The report is based on global reporting initiative (GRI) guidelines and leading practice within the defence and aerospace industry.



SUSTAINABILITY REPORT





5. SUSTAINABILITY REPORT

6. ANNUAL FINANCIAL STATEMENTS

7. INFORMATION SERVICES

SUSTAINABILITY VISION, STRATEGY AND COMMITMENTS

Strategic relevance of the entity:

The catalyst for aerostructures advanced manufacturing in the broader economy and the foreign currency earner through exports.

Vision:

The reliable African link in the global aerostructures supply chain:

- providing on-time quality, service and value for our customers
- a prosperous company for our employees and shareholder.

Mission:

- Use advanced manufacturing technologies to design and produce complex composite and metallic aircraft structures.
- Positioned as a Tier 1 and 2 supplier in the international aerospace supply chain, supplying aerostructures to OEMs, such as Airbus & Super Tier 1 customers.
- Developing and working with local Tier 3 and 4 parts manufacturing suppliers as part of its growing supply chain.

Core products:

Design and manufacturing of metallic and composite aerostructures at Tier 1 and Tier 2 level (i.e. major aerostructures subsystems)

B-BBEE rating: Level 3 (The rating improved from a previous Level 4 rating)

STRATEGIC IMPERATIVES:

In reviewing the Department of Public Enterprises (DPE) strategic intent relating to DAe, the most relevant strategic imperative is to “act as a catalyst for advanced manufacturing in the broader economy and to export products to improve revenue”. With regards to the additional drivers, all remain relevant and form part of the DAe business strategy and turnaround plan. The following is worth noting in particular:

- Towards “Rationalisation of the business” – DAe has started a “scale to A400M capabilities” strategy and is implementing an extensive “A2 footprint consolidation” project.
- Towards “limited dependence on defence”, >90% of DAe’s production is currently for the export market and the business development strategy has specific focus on increasing its commercial aerospace portfolio.
- Towards “Skills development and transformation” – DAe has improved its B-BBEE rating from a level 4 to a level 3. Transformation actions are on-going and DAe is

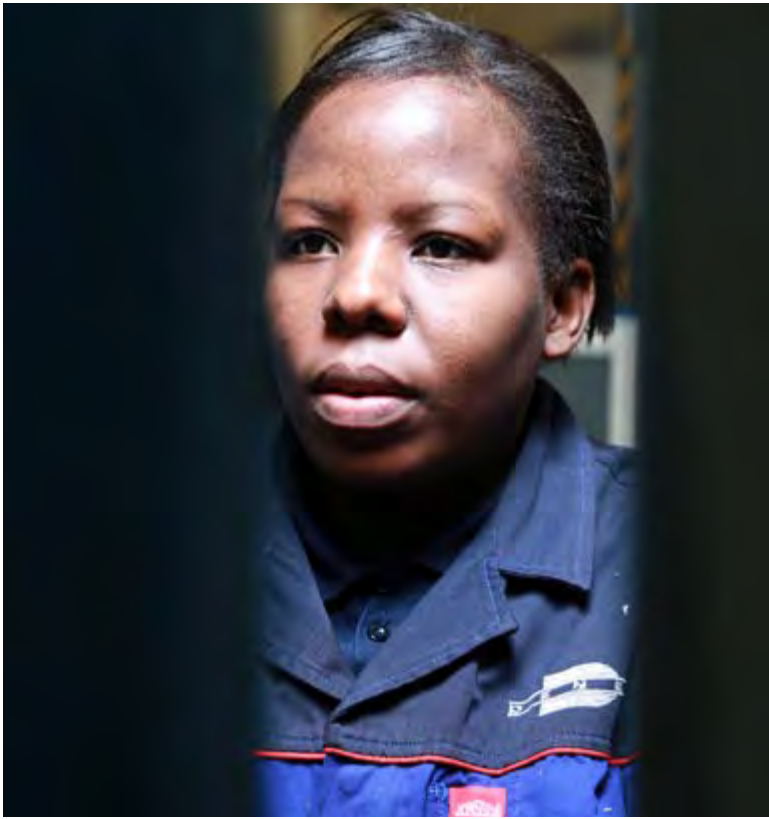
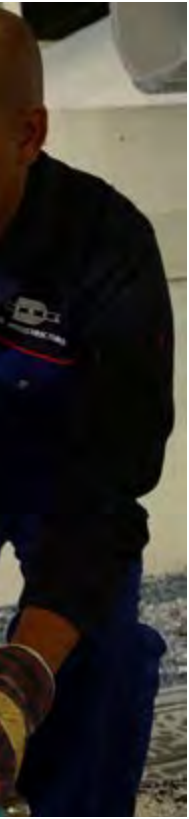


playing a unique role in the development of aerospace and advanced manufacturing skills on all levels from artisans to engineers.

STRATEGIC DRIVERS:

Linked to the DPE strategic intent, the following are considered strategic drivers for DAe:

- Government’s New Growth Path (NGP) and Industrial Policy Action Plan (IPAP) mandate a movement to a knowledge based economy to obtain sustained economic growth and social development.
- In developing countries, such as South Africa advanced manufacturing and other productive sectors of the economy are regarded as the engines of long-term sustainable growth and job creation.
- Aerospace is the most effective sector for the generation of industrial technology and development of technical skills to drive economic development (aerospace has an economic impact multiplier effect of 4).
- IPAP priority sectors include advanced manufacturing materials and aerospace which has the potential to develop long-term advanced capabilities in South Africa.
- The IPAP Aerospace Sector Development Plan (SDP) is to be finalised soon by DTI/DST and industry (AMD), with the establishment of a Joint Steering Committee for



Aerospace as an important next step.

- Government intends to develop proposals to enhance access to concessional industrial financing for investment in IPAP.
- Procurement legislation regulations and practices enable the use of large and strategic aircraft 'fleet' procurements to be targeted towards local advanced manufacturing industrial participation.

RESTRUCTURING:

Denel Aerostructures (DAe) has undertaken fundamental restructuring during the past three years which has resulted in improved financial and delivery performance, and contracted key performance indicators being met. DAe successfully concluded the formal A400M Wing-to-Fuselage-Fairing (WFF) and Top Shells (TS) contract amendment process in July 2012. The in-principle agreements as recorded in the Term Sheet of November 2011 were accurately captured in the amendments. As part of the contract re-negotiation commitments, Airbus agreed to continue with the transfer of the Ribs, Spars and Sword (RSS) work package to DAe. The A400M RSS contract amendment was signed in February 2013 and is aligned to the key terms and conditions of the A400M Term Sheet and renegotiated WFF and TS contracts. DAe now has a more sustainable and viable business case on the A400M programme in the long term, subject to successful subsequent period price negotiations.

Industrial restructuring is on-going to reduce rental costs and improve productivity. Interventions are underway to achieve operational excellence, a high performance culture and continually improve commercial competitiveness. The strategy going forward is to scale capabilities to A400M technical requirements and to simultaneously secure new orders aligned to such A400M technologies and capabilities.

Within the context of the New Growth Path (NGP) and Industrial Policy Action Plan (IPAP2), DAe must fulfil its strategic responsibility as a state-owned company to mature and deepen the world class aerostructures advanced manufacturing capability in South Africa, integrated into the global aerostructures supply chain. DAe remains in a turnaround phase, and due to the historic structural misalignment between its revenue and cost bases, it will continue to post losses in the short to medium term, before achieving break-even in 2016/17.

The following three items are essential for implementation in the next financial year:

- Obtain new sales orders aligned with A400M technology in order to increase productivity and profitability.
- Successfully implement the ramp up production rate on the A400M programme by delivering on time, on quality and within cost to our Customer.
- Actively implement strategies that support DPE goals in terms of skills development and employment equity.



STAKEHOLDER ENGAGEMENT

INTERNAL COMMUNICATION AND PARTICIPATION

Internal communications and campaigns are important to share info with employees and shareholders. Various campaigns and communication sessions take place during the year and are discussed in more detail below.

Imbizos

Denel Aerostructures (DAe) continues to conduct quarterly CEO Imbizos with success. The Imbizos serve as platforms for the CEO to engage with staff on organisational goals, objectives and the current performance towards DAe's turnaround plan. Due to the significant on-going changes within DAe and the Denel Group, the 2013 financial year saw much value being drawn from the Imbizos.

Lekgotla

The Lekgotla initiatives were convened with success during the year under review. These initiatives are aimed at bringing together the top leadership, organised labour and selected shop floor employees, to hold discussions on strategy, key business challenges and the company's performance. These engagements allowed for open views to be shared across all levels of leadership within the organisation.

Campaigns aimed at Employee Participation

DAe remains committed to matters of transformation, diversity and supporting national key initiatives. In an effort to increase employee awareness, the Business Development team embarked on a strategy of participative celebrations to ensure the engagement of all employees. Part of the strategy includes celebrating every milestone achievement of DAe during the 2013 financial year, including national and international initiatives.

The following national and international initiatives were supported and celebrated:

- **Women’s Day**

All female employees were treated to a makeover by image consultants and make-up artists, in recognition of their beauty and femininity. This makeover included professional portrait pictures being taken, documenting the “before and after look.”

- **HIV/AIDS Awareness**

DAe continues to raise awareness on the pandemic that continues to affect humanity. On 1 December 2012 DAe employees took a symbolic walk proclaiming their stance against this pandemic.

- **Cancer Shavathons**

DAe participates in the Cancer and Shavathon days in support of people living with cancer. Awareness was raised through symbolic gesture of shaving or colouring hair and this was supported by all DAe employees. All money raised was handed over to CANSA.



INTERNAL INITIATIVES

- **CEO ‘Hands On’ Campaign**

This campaign is aimed at increasing management visibility on the shop floor, spearheaded by the CEO’s participation on the shop floor. This campaign affords the CEO an opportunity to understand the complexity of work performed and the skills required by operational employees. In addition it gives employees the opportunity to interact with the CEO to demonstrate what they do the best.

- **‘DAe on Diversity’ Campaign**

DAe believes in harnessing the human energy and the synergy that arises from the company’s diversity. Cohesion was driven through raising awareness and appreciation of the 11 official languages and cultures/ethnicities that constitute the South African “Rainbow Nation.” Key functional words, such as greetings, food, utensils and aerospace phrases are used as focal points for this campaign. DAe also commemorates the annual Heritage Day.

EXTERNAL COMMUNICATION AND PARTICIPATION

DAe has hosted and participated in various meetings, exhibitions, facility tours, business to business meetings and direct stakeholder engagements both locally and abroad. Exhibitions attended with participation include Africa Aerospace and Defence (AAD), LAAD Defence and security in Brazil, The International Defence Exhibition and Conference in the UAE, International Defence Fair in Turkey.

Incoming visits which DAe hosted include OEMs, such as Boeing and Airbus and various other international Tier 1 Aerostructures suppliers.

Outgoing visits included meeting and facility visits to various North American and European OEMs and Tier 1 Aerostructures suppliers, as well as participation in the IBSA (India, Brazil, South Africa) defence workgroup in Brazil.

DAe’s direct stakeholder engagements included facility visits, meetings and workshops with the Department of Public Enterprises, Department of Trade and Industry, Armscor, Industrial Development Corporation (IDC), Department of Defence (DoD), Department of Science and Technology (DST), South African Air Force (SAAF) .

Highlights for the year include:

- The celebration of the signing of the renegotiated Airbus A400M contract attended by senior local international dignitaries and stakeholders, including Minister Malusi Gigaba.
- Hosting the outgoing Chief of the South African Air Force Lieutenant-General Carlo Gagiano on a facility and capability tour of the DAe facilities.

CORPORATE GOVERNANCE

The Board is committed to sound governance and ensures that the company's business is conducted in accordance with the highest standards of corporate governance. Risk management and internal control processes have been designed in line with best practice and in compliance with King III and the Companies Act. Statements regarding Denel Aerostructures' adherence to the King III report on corporate governance are set out in this report, on pages 55 and 57.

This report details certain governance principles and the main duties of the Chairman, Committees and Chief Executive Officer. The Board Charter includes a schedule of matters reserved for the Board and the terms of reference which governs the Audit and Risk Committee.

The governance framework has been developed to meet the company's strategic objectives, compliance requirements, balancing the interests of stakeholders, minimising and avoiding conflicts of interest, and practicing good corporate behaviour. Sound corporate governance practices are implicit in its values, culture and processes.

The directors and management of Denel Aerostructures manages the company in an efficient, accountable, transparent and ethical manner, under the auspices of its parent company Denel SOC Ltd. This ethos is embedded in all of the company's activities and thus Denel Aerostructures' governance framework encompasses more than compliance and legislation. This is also confirmed with the positive feedback on our annual year-end audit process.

Responsibility and accountability

The Board provides leadership and strategic oversight and oversees the control environment to achieve and sustain value to the company's Shareholder and stakeholders. The Board ensures adherence to principles of good governance and accountability as required in King III and

its Board charter. All of the members of the Board are individually and collectively aware of their responsibilities to the company's stakeholders, and each director brings experience, independence of character and judgement. The Board ensures regular review of its performance and core governance.

The day-to-day governance is the responsibility of Denel Aerostructure's management, which regularly reports to its Shareholder, the Board, and its sub-committees. The Board and the respective committee chairman play an important role in addressing the governance issues that arise from time to time. These Board members have regular interactions with executive directors, senior management and other stakeholders.

Board structure

The company has a unitary Board, comprising of two executive directors, the CEO and the CFO, as well as four non-executive directors, who all meet the Board's independence criteria of being free from any business relationship that could generally hamper their objectivity or judgement on the business and activities of the company.

Appointment and retirement of directors

The Shareholder appoints the Chairman and non-executive directors. The Board, with the concurrence of the Shareholder, shall appoint the executive directors. The Shareholder reviews the composition of the Board on a regular basis which ensures the rotation of directors at regular intervals. The term of office for the non-executive directors is a period of three years. Their terms of office are subject to an annual review by the Shareholder and confirmed at the Annual General Meeting (AGM).

In appointing the non-executive directors, the Shareholder takes cognisance of the company's needs in terms of skills, experience, diversity, size, and demographics.

During the year under review, the following Directors resigned from the Denel Aerostructures Board:

- Mr J Morris resigned from the Board on 12 September 2012.
- Mr C Groesbeek resigned from the Board on 12 September 2012

Directors formalised appointment and remuneration

The executives have contracts of employment with the company and are subject to Denel's conditions of service. The non-executive directors have their appointments formalised by a letter of appointment from the Shareholder. This appointment letter indicates the non-executive Directors terms of office, as well as information pertaining to their remuneration.

Remuneration for non-executive directors is based on the remuneration guidelines, approved by the Shareholder representative, and confirmed at the AGM. The shareholder approved a 4.5% increase for the non-executive directors at the 2012 AGM. Denel pays non-executives a fee based on their attendance of meetings.

Directorial independence, effectiveness, and performance evaluation

The independence of directors is guided by the King III Report, the Companies Act and best practice. The independence of individual non-executive directors is considered at every Board meeting and formally evaluated every year by an independent consultant as part of the Board's effectiveness review on a Group level.

The independence and effectiveness review of the Board members was performed by an independent firm of consultants during 2013. The evaluation report was considered at the Shareholder level in June 2013.

Managing conflict of interest

The Board subscribes to the principle of effective management of conflicts of interest and that fundamental conflicts should be avoided. Conflicts are declared annually by the individual directors in a register which is presented at the Annual General Meeting for consideration. At each meeting directors declare their interests on any agenda item to prevent personal interests of a directors taking precedence over those of the company. Board members who have personal interest in a matter under discussion are required to recuse themselves from the meeting. A similar practise applies to all employees of the company.

Board induction and sharing of information

New directors undergo a detailed induction to ensure a comprehensive understanding of Denel Aerostructure's legislative framework, governance processes, delegation of authority and business operations. Directors are continuously briefed on relevant new legislation and regulations.

All non-executive directors have access to management and the records of the company, as well as to external professional advisers should the need arise.

Board meetings

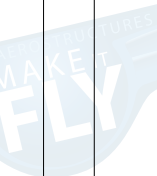
The Board holds four scheduled meetings annually and an AGM. All documents that are submitted to the Board for discussions are meticulously prepared by the executive team, taking into account matters arising from previous Board meetings, ensuring completeness and other relevant matters for the Board's consideration. Non-executive directors have unhindered access to the executive team members and any other employees of the company to seek explanations and clarifications on any matter/s prior to or following a Board meeting. This facilitates the Board's discussions and assists it in reaching speedy but informed decisions.

Members of Management team attend the Board meetings as and when required, to report to the Board on their respective operational areas. The following table depicts the meetings of the Board and the attendance of each member:

Board members attendance for the period 1 April 2012 – 31 March 2013

BOARD MEMBER	BOARD MEETINGS				
	30 May 2012	28 Aug 2012	21 Nov 2012	5 Mar 2013	
Mr G C Cruywagen (Chairman)	√	√	√	√	4/4
Mr I Dockrat (CEO)	√	√	√	√	4/4
Ms V Ravjee (Co. Secretary)	√	√	√	A	3/4
Mr C Groesbeek +	√	√	-	-	2/2
Ms B Paledi	√	√	√	√	4/4
Mr J Morris +	√	√	-	-	2/2
Mr A Carim -	-	√	√	√	3/3
Ms C Slabbert	√	√	√	√	4/4
STANDING INVITEES					
Mr R Saloojee	√	A	A	A	1/4
Mr T Kleynhans	√	√	√	√	4/4

- + Terminations
- Appointments
- A Apology



Company Secretarial

The Company Secretary is responsible for developing systems and processes which enable the Board to discharge specific functions efficiently and effectively. The Secretary is responsible for advising the Board on corporate governance issues, setting the annual plan for the Board in conjunction with the chairman and monitoring compliance with the PFMA, the Companies Act and other relevant legislation, as well as keeping the Board updated on new relevant legislation. All directors have access to her services and guidance.

Board Committees

The Board has established and delegated specific roles and responsibilities to the Audit and Risk Committee.

DAe reports directly to the Denel personnel, remuneration, and transformation committee, and the Denel social and ethics committee as provided for in the Companies Act.

The Audit and Risk Committee's role, responsibilities, and membership are in accordance with their terms of reference as approved by the Board. These terms of reference are reviewed annually to ensure they remain in line with relevant regulations, company's requirements, and business climate in line with best practice in corporate governance.

The Board committee has scheduled meetings at minimum three times a year. Executive Management are regular attendees at the Board and committee meetings in line with their roles and responsibilities.

The minutes of the committee meetings are included in the Board meeting pack for information to keep the Board abreast of the activities of the committees. Significant matters discussed at these committee meetings are communicated to the Board by the Chairman of the Audit and Risk Committee.

Audit and Risk Committee

Membership of the Audit and Risk Committee, including its chairman, comprises of non-executive directors, and the executive directors are standing invitees in committee meetings. All members of the committee have considerable financial and risk management experience necessary to oversee and guide the requirements set by the Audit and Risk Committee terms of reference. These include the audit and risk functions, the governance of risk and IT risk as recommended by King III. The appointment of members of the Audit and Risk Committee are reconsidered and voted on at every AGM.

The committee's terms of reference are reviewed and updated for relevant new legislation and best practice. The terms of reference include the committee's mandate which is to ensure the integrity of financial reporting, the adequacy of governance, soundness of the internal control environment and the robustness of risk management processes. The roles and responsibilities of the committee are detailed in the report of the Audit and Risk Committee on page 82 to 84 and include the following:

- Reviews the financial statements and considers reports of the auditors on the financial statements.
- Reviews risk registers, paying attention to risks, mitigation actions, and overall risk management.
- Reviews the effectiveness of the company's internal controls.
- Considers matters emanating from the company's ethics hotline, management planned actions and the results of enquiries.
- Agrees on the scope of the auditors work and their fees.
- Monitors the performance of the internal audit function.

The committee chairman meets regularly with the external auditors, to consider the audit plans, the scope and status of the audits and progress on resolving significant issues. This is a function that takes place on a Denel Group level.

The committee holds at least three meetings in any particular year. The committee has an annual work plan to ensure that all relevant matters are covered by the agendas of the meetings planned for the year as laid out in its terms of reference.

The audit committee held three meetings during the financial year as detailed below:



Attendance at Audit and Risk Committee meetings

COMMITTEE MEMBERS	AUDIT & RISK MEETINGS			
	30 May 2012	28 Aug 2012	5 Mar 2013	
Mr F Mhlontlo (Chairman)	√	√	√	3/3
Mr T Zwelibanzi	√	√	√	3/3
Ms V Ravjee (company Secretary)	√	√	A	3/3
Mr C Groesbeek +	√	√	-	2/2
Mr A Carim -	-	√	√	2/2
AUDITORS				
Ms C J Kujenga (E&Y) +	√	√	-	2/3
Ms C van Wyk (E&Y) +	√	√	-	2/3
Ms I Gray (Deloitte)	√	√	√	3/3
Ms P Bhana (Deloitte)	√	-	-	1/3
Mr C du Plessis (Deloitte)	-	√	√	2/3
Mr D Govender (SNG) -	-	√	√	2/3
Mr S Moyo (SNG) -	-	√	√	2/3
Mr M Msongelwa (SNG) -	-	-	√	1/3
STANDING INVITEES				
Mr I Dockrat (CEO)	√	√	√	3/3
Ms C Slabbert	√	√	√	3/3
Mr A J R Calitz	√	√	√	3/3
Ms L Viviers	√	√	√	3/3
Ms J Manzini	√	√	√	3/3

- + Terminations
- Appointments
- A Apology

RISK MANAGEMENT

The company has a sound system of internal controls, designed in terms of policies and guidelines. The Board reviews and improves the risk strategy and policies formulated by the executive directors and senior management. Management is accountable to the Board and has established a system of internal controls to manage the significant risks. This system assists the Board in discharging its responsibilities to ensure effective management of the risks associated with Denel Aerostructures' operations.

Further details on the effectiveness of risk governance can be found under the risk governance section of this report.

CODE OF ETHICS

Denel Aerostructures, has a code of ethics adopted from its parent company, Denel, which underpins the business practices to which all employees and suppliers are expected to adhere to. The policy outlines conflicts of interest, the prevention of dissemination of company information, the acceptance of donations and gifts, and protection of the intellectual property and patent rights of the company. The policy outlines the disciplinary action (including dismissal or prosecution) that will be taken in the event of any contravention.

Denel Aerostructures also has an independently operated whistle-blowing mechanism. This is a fraud hotline operated by an independent organisation. Matters that have been reported through this mechanism are investigated and reported to the Audit and Risk Committee. Depending on the nature of allegations, some of the matters end up being reported to appropriate law enforcement agencies, such as the SAPS.

INTERNAL CONTROL

The Board oversees the system of internal control within Denel Aerostructures, whereas the implementation and functioning of these systems rests with the executive management team. The Audit and Risk Committee is presented with a formal review of the effectiveness of the company's internal controls on a regular basis. This review is informed by the combined assurance matrix, which identifies significant processes and assurances that are being provided. There are reports from management on specific areas, internal audit, external audit and other independent assurance providers that are tabled from time to time.

INTERNAL AUDIT

The function of internal audit is to appraise the adequacy and effectiveness of Denel Aerostructures' systems of internal control. This function has been outsourced to Deloitte.

The internal auditors report administratively to the CEO and GCEO and have unrestricted access to the chairman of the DAe and group Audit and Risk Committee and to the chairmen of the Denel and DAe Board of Directors. Given that the internal auditors have unrestricted access to Board members and regularly report to the Audit and Risk Committee, the Board is confident that the internal auditors have discharged their duties fully and independently in terms of the internal audit charter.



RISK GOVERNANCE

OVERVIEW

Effective management of risk and opportunity is essential for the achievement of the company's objectives, sustainable shareholder value and the protection of its reputation. DAe's approach to risk management entails early identification of key risks and then eliminating or reducing the likelihood and impact of risks before they occur, and dealing effectively with them if they do start to materialise.

Performance on programmes is directly affected by project risks, arising from the long-term nature and the complexity of the programmes, ever-changing technology and other related risks inherent in the contract environment. This impacts delivery, cost and financial performance, amongst other things. The Aerospace industry is highly regulated, and compliance with laws, regulations and standards are a primary requisite for doing business in this industry.

DAe is committed to the protection of its human, property and financial resources, through an effective risk management process. Risk management is linked to the group's strategy, appetite for risk and the achievement of the group's business objectives. Risks

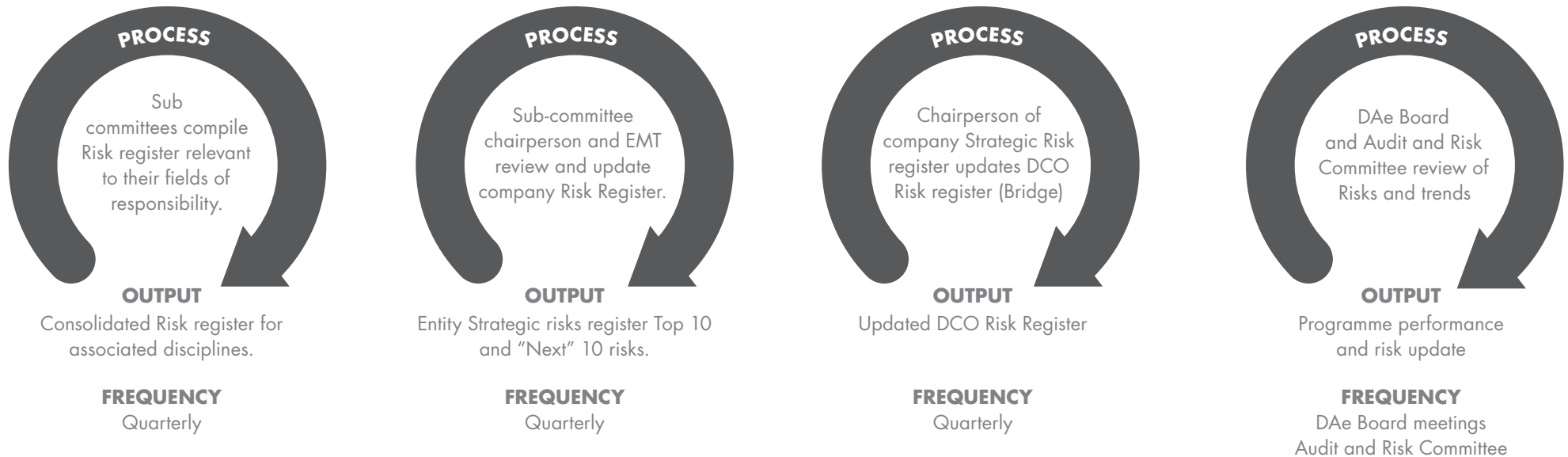
are continuously monitored, risk response plans reviewed, appropriate contingencies are provisioned and this information is reported through established management control procedures. DAe's primary goal is to embed and integrate risk management with all business processes to ensure risks and opportunities are identified, assessed, prioritised and addressed. Stewardship for assets, safe and effective operations, as well as good governance are imperative in order to achieve the company's objectives.

RISK MANAGEMENT PROCESS

Risk management is continuously reviewed by management and reported to the Executive Management by means of a "Strategic Risk Management" review meeting and updating of the Top 10 and next 10 company Strategic risks. The approved Top 10 risks are then uploaded into the DCO risk register (Bridge).

Within DAe there are a number of sub-level risk committees comprising the following areas:

- Operations (Incorporating Engineering and quality)
- Finance and Compliance
- IT
- HR (Shared Service)
- Programmes Department



Risk and opportunity identification is initiated during the corporate and business planning process, and continuously monitored. Sensitivity analysis and budget stress-testing, programme management reviews and monthly budget and operational effectiveness reviews are conducted



The outputs from these committees are used as inputs for the Strategic Risk Register compilation. The responsibility for risk identification, assessment, mitigation, reporting and monitoring rests with line management. Reporting within the company is structured so that key issues are escalated through executive management, the Audit and Risk Committees and ultimately to the Board and the Shareholder. As with any system of internal control, the policies and processes that are mandated in the operational framework are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss.

FRAUD PREVENTION AND ANTI-CORRUPTION

Denel has a whistle-blowing system as part of the fraud prevention plan. Through this mechanism, fraudulent activities and other cases of unethical behaviour may be reported in a secure and confidential manner. The effectiveness of usage of the ethics hotline was also assessed and communication was increased to heighten awareness of this mechanism.

The confidential ethics hotline number 0800 20 4880, is independently operated and all stakeholders are encouraged to use it.

ETHICS

DAe has an employee ethics policy which underpins DAe's value of integrity and codifies principles of good governance contained in various policies of the organisation to create an ethical business environment. The policy commits the company to sound business practices and compliance with applicable laws and regulations and requires directors and senior managers to declare their interests.

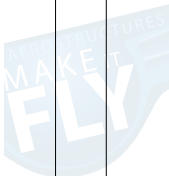
DAe prevents its employees from receiving or offering gifts that could unduly, directly or indirectly, influence their decision-making and requires them to declare gifts received in the gift register.

Directors and senior management declared their interests and these were reported at the Audit and Risk Committees of the various entities.

COMPLIANCE

DAe's compliance programme includes the continuous identification and monitoring of laws and other relevant aspects of regulation that impact DAe's business. The objective of the programme is to prevent breaches as far as practicable, detect breaches and take corrective action.

Health, safety, environmental and quality management as well as OEM accreditation systems are implemented as part of the compliance programme.



SOURCING AND SUPPLY

OVERVIEW

Sourcing and supply comprises of procurement, strategic sourcing, planning and logistics/ stores management functions.

The following key high-level sourcing and supply goals were pursued during the year under review:

- Sourcing and supply chain strategy is to support the group's total cost of ownership, improve service delivery and overall customer satisfaction, as well as compliance with relevant legislation.
- Developing DAe's sourcing and supply policies and procedures, with implementation of required multi-disciplinary procurement committees under formal delegation in line with legislated Public Finance Management Act (PFMA) and Preferential Procurement Policy Framework Act (PPPFA).
- Ensure effective performance contracting with clear links to DAe's performance metrics and relevant Key performance Indicator (KPI) to enhance internal as well as group-wide supply chain performance.
- DAe is committed to the support and development of local suppliers, with specific focus on emerging B-BBEE and SMME companies to contribute to national development and transformation goals.
- The planning department focused on optimally loading the production facility in terms of capacity and throughput. An improved Rough Cut Capacity Planning (RCCP) method was implemented and commented on during an Airbus IPCA+ audit.

Continuous improvement remains essential to meet international benchmarks. The focus areas have been expanded to include:

- Total Cost of Ownership Reduction;
- Obsolete Stock Reduction and Inventory Optimisation;
- Outsourcing and Disaster recovery planning (DRP);
- Rental Footprint Restructuring;
- Increased Long-term Agreements Percentage;
- Supplier Management improvement.

PREFERENTIAL PROCUREMENT

DAe is committed to enhance preferential procurement and supplier development practices with specific emphasis on designated exempt micro enterprises (EMEs), small medium and micro enterprises (SMMEs) and B-BBEE suppliers in establishing longer-term business partnerships and to enhance its standing as a proudly South African company. Non-core activities, such as smaller machining, sheet metal manufacturing and chemical purchasing including stock holding are being outsourced. DAe contributed to get these suppliers to a specific Airbus approved standard and cultivating an advanced manufacturing environment. Aspects, such as forecast and capacity planning; on time delivery and improved quality standards in terms of a first time pass rate was some of the actions taken to improve the local suppliers' ability to perform in a global aerospace market.

The focus with regards to preferential procurement will be to increase spend on both black-owned and black women owned businesses, as well as enterprise development. The action plan is as follows:

BLACK OWNED

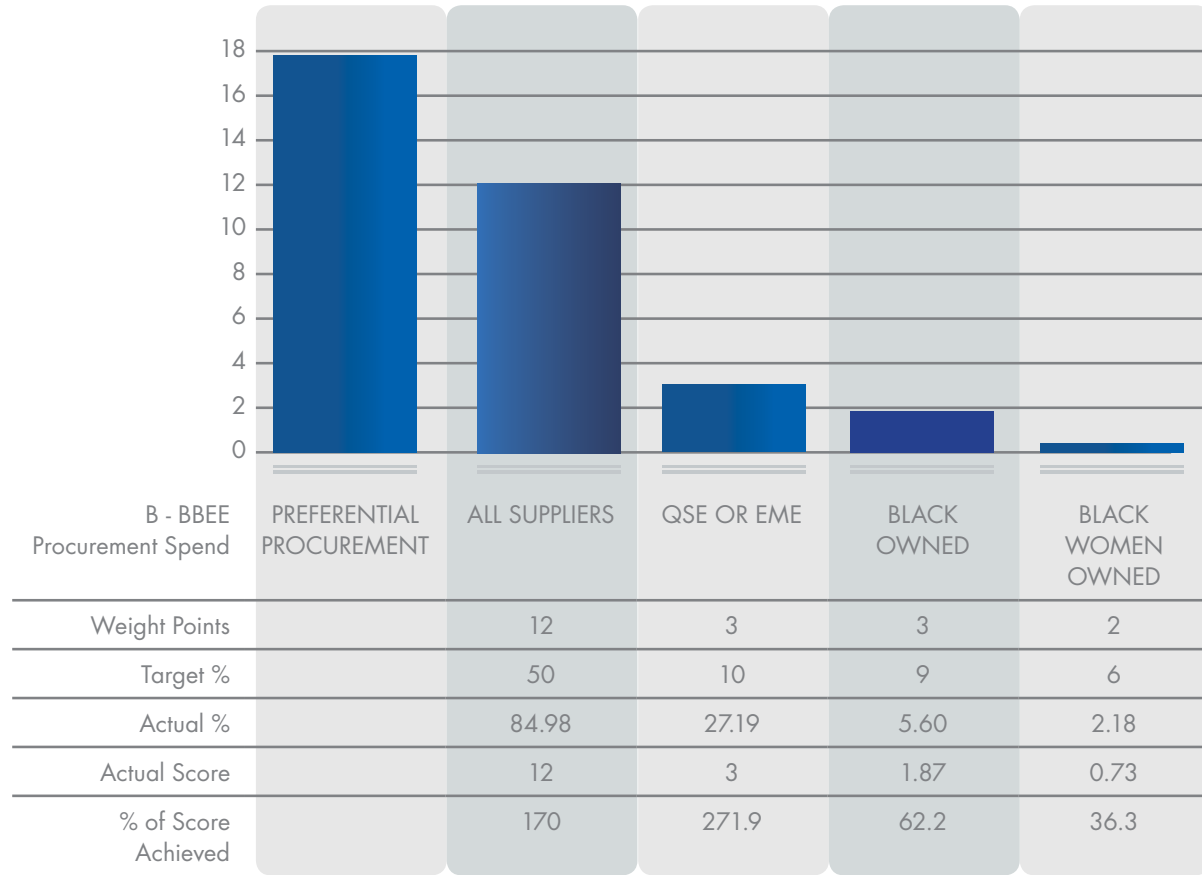
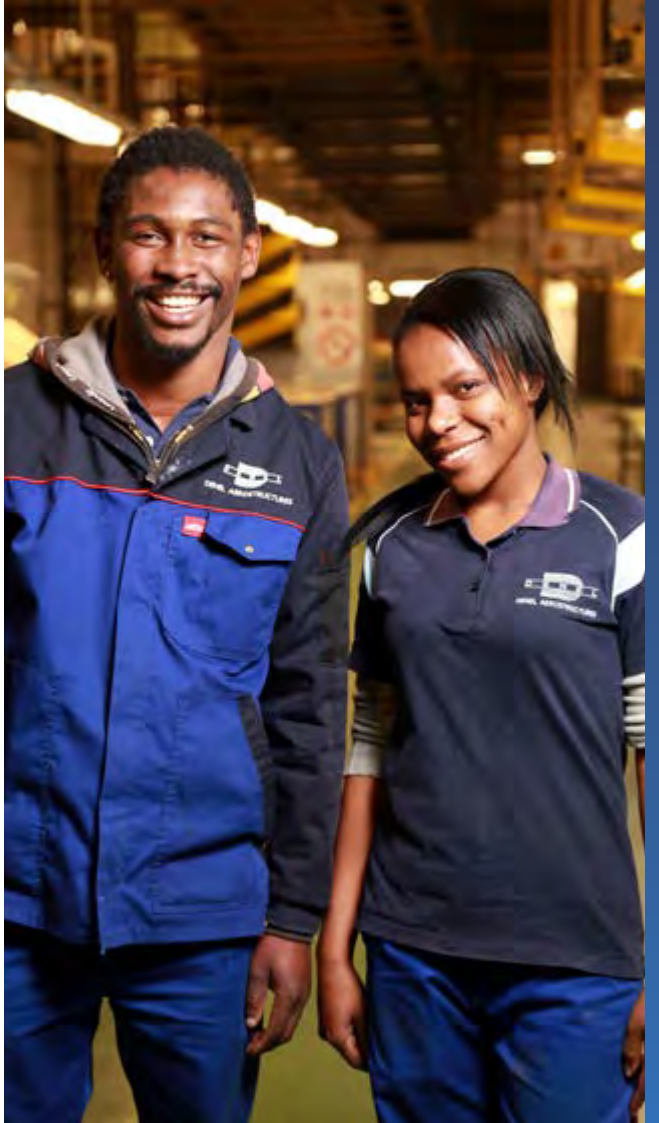
- A concerted effort to increase the award of business to black-owned entities in all tenders and indirect spend categories are being put in place;
- Discussions to latch on a wider Denel black-owned supplier base are taking place;
- A focused effort with the current engineering suppliers to further develop and improve their black-owned and employment equity statuses as a sub-contractor for machining. Sourcing and supply has quality reviews with the Quality department to ensure that service providers are Airbus qualified.

BLACK WOMEN OWNED

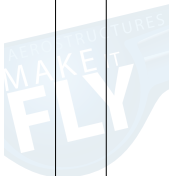
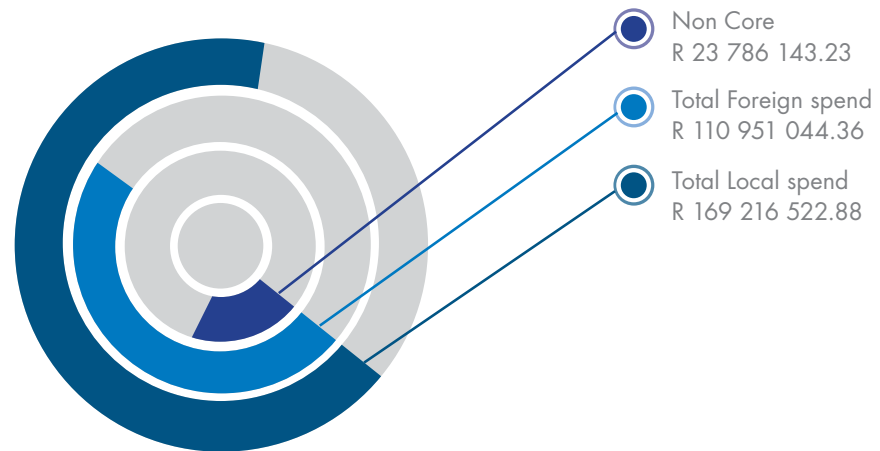
- Sourcing of black women-owned suppliers where possible.
- More effort will be placed on awarding business to black women-owned businesses.
- DAe has managed to double the spent on 50% and above black-owned companies from the previous year.

SKILLS DEVELOPMENT

A full skills assessment was carried out by CIPS (The Chartered Institute of Purchasing & Supply) and TKB (Tirisano Ka Bato training consultants) to assess the training requirements for the procurement department, planning and the stores personnel respectively. A training plan was compiled and training commenced with all personnel.

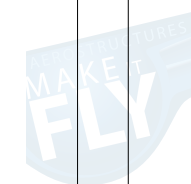


TOTAL SPEND YTD APRIL - MARCH 2013 VALUE TOTAL R 303 953 710





EMPLOYEES REMAIN
FOCUSED AND
DELIVER EXCELLENT
RESULTS



HUMAN RESOURCES AND TRANSFORMATION

Denel Aerostructures has developed Human Resources strategies intended to ensure that the company's business objectives are achieved. DAe has undergone huge organisational changes over the past few years which have led to major reductions in manpower.

Strong leadership and communication has been the cornerstone of ensuring that employees remain focused and deliver excellent results. This is evident in that the turnover at DAe was 3.4% as opposed to industry benchmarks of 10% in the year under review.

Learning and development has been a key focus area, with specific emphasis on the continuation of the apprenticeship programme. A total number of 18 apprentices successfully completed their trade qualification. DAe has embarked upon numerous

Corporate Social Investment initiatives to improve its corporate identity. These programmes have been hugely successful due to extensive participation by employees.

DAe is committed to an open, honest and productive relationship with the shareholder, employees, labour unions and other stakeholders and has ensured that this partnership remained exceptional through extensive engagement.

Priority areas for the year were:

- Learning and development with a specific focus on the apprentice programme;
- Performance Management and Improvement;
- B- BBEE initiatives, including Employment Equity;
- Leadership Development Programme for all managerial levels.

EMPLOYEE PERFORMANCE

Workplace profile

The total workforce as at 31 March 2013 was 390 of which 351 were employed on a permanent basis, 26 were on fixed term contracts and 13 were apprentices. The table below illustrates the employee profile per job category:

JOB CATEGORIES	2013		2012	
	B*	W**	B*	W**
Senior Management/Executive Managers	2	4	1	4
Management	6	18	4	17
Engineers	8	28	7	24
Technical (scientists, technicians & artisan)	115	138	110	147
Configuration	0	2	0	2
IT	0	1	0	1
Financial	2	9	2	9
Marketing	1	0	0	1
Administrative	21	16	20	17
Trainees	19	1	10	3
General Workers	2	0	2	0
Sub total	176	217	156	225
Total	393		381	

*B - Black refers to African, Coloured and Indian

**W - White

The table below illustrates appointments by race and gender:

CATEGORY	2013		2012		2011		2010	
	No.	%	No.	%	No.	%	No.	%
Black Male*	30	62.5	6	25.0	5	20.8	13	39.4
Black Female*	7	14.6	4	16.7	1	4.2	8	24.2
White Male	8	16.6	12	50.0	16	66.7	9	27.3
White Female	3	6.3	2	8.3	2	8.3	3	9.1
TOTAL	48	100.0	24	100.0	24	100.0	33	100.0
ACI Appointments	37	77%	10	42%	6	25%	21	64%

*Black refers to African, Coloured and Indian

The table below illustrates terminations by race and gender:

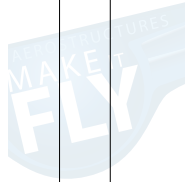
CATEGORY	2013		2012		2011		2010	
	No.	%	No.	%	No.	%	No.	%
Black Male*	15	40.5	53	52.5	100	33.2	57	38.5
Black Female*	3	8.1	15	14.9	40	13.3	21	14.2
White Male	16	43.3	31	30.7	141	46.8	63	42.6
White Female	3	8.1	2	2.0	20	6.6	7	4.7
TOTAL**	37	100.0	101	100.0	301	100.0	148	100.0
ACI Terminations	18	51.4%	68	67%	140	46%	78	52%

* Black refers to African, Coloured and Indian

REMUNERATION, REWARD AND RECOGNITION

Denel has a group-wide performance management and reward system. This system incorporates a variable pay portion that is based on achievement of both company and individual performance targets. The introduction of the variable pay system has assisted in remunerating employees at more market related levels and has assisted in reducing employee turnover which has decreased from 9.9% in 2010 to 3.4% currently. The company's target attrition rate ranges between 5% - 8% per year.

The DAe Board considers the latest economic indicators and affordability when providing the annual salary increase mandate. Wage negotiations take place at a plant level and are based on the Board mandate and are implemented during April of each year.



EMPLOYEE BENEFITS

MEDICAL AID AND RETIREMENT FUND:

Compulsory membership to both the medical aid and retirement funds are part of the terms and conditions of employment. This ensures that employee's health care and retirement funding requirements are addressed.

POSITIVE EMPLOYEE RELATIONS

DAe's relationship with labour unions remains stable and positive, notwithstanding, the retrenchments that took place over the past few years. All consultations and negotiations are completed timeously and disputes remain minimal. Recognition agreements with the three labour unions are in place, namely: Solidarity, NUMSA and UASA.

Profile of Unions represented in DAe:

UNION	2013		2012		2011		2010	
	No.	%	No.	%	No.	%	No.	%
Solidarity	103	26.2	110	28.9	133	29.4	205	28.0
Numsa	70	17.8	66	17.3	75	16.6	148	20.2
UASA	63	16.0	66	17.3	67	14.8	83	11.4
TOTAL	236	60.0	242	63.5	275	60.7	436	59.6
TOTAL WORKFORCE	393		381		453		731	

Living our Values

DAe has a set of corporate values aimed at prescribing the desired behaviours required in the workplace. DAe encourages these behaviours by regularly communicating them and by rewarding employees who display these behaviours, which assists with further institutionalisation.

EMPLOYEE WELL-BEING

Employee Well-being Programme

The DAe wellness programme is implemented by an external wellness provider named ICAS. These services are available to employees 24 hours a day, 365 days a year. Employees also have access to professional counseling if required. This service also allows managers to refer employees who are experiencing difficulties in their personal or work life for counselling. Information is provided to employees regarding health and social related topics via pamphlets; e-mails and its website, which includes aspects, such as financial advice, relationships, work trauma, health issues, family matters, legal issues, stress, debt and substance abuse.

Wellness Days

Wellness days are held and employees have the opportunity to be screened for hypertension, high cholesterol, diabetes and HIV. DAe participates in various health related awareness campaigns, such as the Cancer Shavathon, World Aids Day etc. During the year under review DAe participated in "Mo-vember" during November to create awareness regarding the danger of prostate and testicular cancer.

PROGRAMMES IN SUPPORT OF HIV/AIDS AWARENESS

HIV/AIDS awareness sessions are held regularly. Posters and banners are displayed during the national HIV/AIDS awareness week and condoms are made available in the ablution facilities. During wellness days employees are offered HIV tests. On World Aids Day, employees marched through the facility carrying red balloons in support of people living with HIV/AIDS.

DEVELOPING SKILLS

Employee skills development initiatives

DAe understands the intrinsic link between skills development and long term business sustainability. To a large extent this industry requires unique technical skills that are largely not easy available in the market. The company strongly believes in continuous professional development to encourage life-long learning and to encourage a learning culture within the organisation.

DAe is objective is to develop all employees to their full potential and encourage all employees to adopt learning and development as a personal responsibility. DAe has spent a total of R2.5million on skills development and learning programmes for the current financial year.

Leadership and Management Development Programme

Denel has a leadership and management development programme, founded on specific behavioural and functional competencies developed to fit the company's needs. To date, all DAe Executives, Senior Managers and Team Leaders have undergone intensive psychometric assessments and have received individual reports which outline development areas. Employees who have been identified as talent and are not in a supervisory role as yet have also been included in the programme. Team and personal mastery workshops have also been conducted on all management levels. Development areas to be addressed are also highlighted in the personal development plans of all employees for future action and attention.

The Unisa School of Business Leadership (SBL) were launched in June 2011, as part of yet another method of closing the leadership gaps identified. There are three programmes designed to include the junior, senior and executive levels within the organisation. Numerous employees at various within in the company are participating in this programme. The first group completed their training in June 2012 and the second group are currently in process for completion in June 2013.

Succession planning

DAe developed a succession planning framework (known as the Talent Optimisation Programme), which assists with the identification of talent and provides a pool of candidates as possible successors for both leadership and technical roles. As a result various programmes are then implemented depending on the career path selected. The framework is also aligned to the transformation targets of the company. Identified potential successors are put through various developmental programmes to address any learning requirements.

Employee study bursaries

DAe continues to grant sponsored studies to employees who wish to further their studies in related fields and to enhance performance in their jobs. Bursaries are provided in addition to the various training courses that have been identified as part of their personal development plans.

Artisan training

DAe trained 36 apprentices in the past year, with 18 qualifying as artisans. DAe is committed to playing a key role in the growth of the South African economy by providing highly sought after artisans to the industry. The training covers a wide spectrum of skills and aircraft related disciplines, including aircraft composites, aircraft structural work, fitting and turning, machine tool millwright, tool and jig and turner machinist. The challenge remains that DAe is unable unable to absorb all trained artisans permanently within the organisation. With additional funding, DAe can continue to train artisans to make a meaningful contribution to air safety and raising the levels

of skills within the industry. Currently five first year and 13 second year apprentices in the relevant trades are sponsored by DAe.

The Adult Artisan Training Programme assists Operators to successfully complete all trade requirements to become qualified artisans. Currently 20 operators are part of the programme.

TRANSFORMATION

Overview

DAe has been implementing various transformation initiatives since 2007. DAe has achieved a level 3 B-BBEE compliance score. Two flagship programmes are being implemented namely:

1. Compliance with the B-BBEE Codes of Good Practice; and
2. Climate Improvement Programmes.

The Climate Improvement Plan comprises of the following indicators:

- Leadership development: Measures the degree to which leadership is developed to deliver exceptional performance in relation to key deliverables, as well as employee relations.
- Diversity: Measures the extent to which the management of diversity of culture, race and gender, including people with disabilities is addressed.
- Performance management: Measures the extent to which a performance management system is implemented in a fair and consistent manner.
- Employee satisfaction: Measures the degree of satisfaction displayed by employees relative to their perceived and genuine grievances.
- Opportunities: Measures the extent to which advancement opportunities are created and implemented.
- Values: Measures the extent to which the Group, as well as DAe specific values are supported, communicated and lived by all employees.
- Succession planning: Measures the extent to which continuity in the company in terms of critical skills and key competencies is addressed.
- Mentorship: Measures the extent to which mentorship programmes are developed and implemented especially

on critical competencies.

- Retention: Measures the degree on how the turnover rate especially of critical skills is managed.
- Workforce representivity: Measure the extent to which employment equity is implemented across all occupational levels.

Monitoring of transformation performance

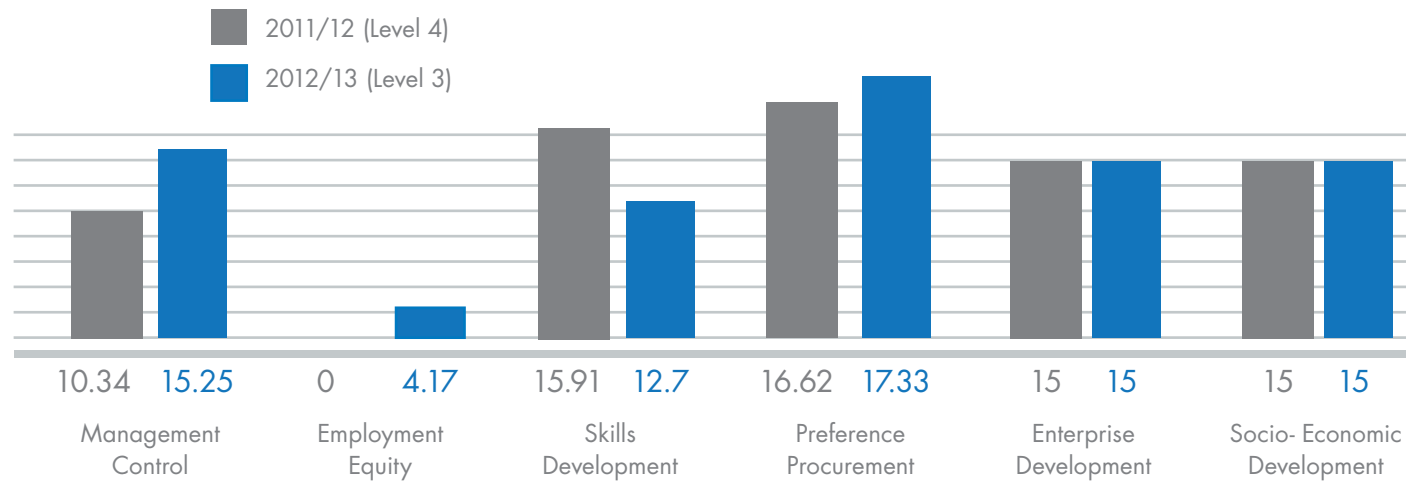
DAe believes in genuine social transformation that is sustainable and adds value to the employees, the company and the community at large. This is portrayed by the following initiatives below:

- External monitoring of transformation implementation occurs twice a year. A mid-year assessment is conducted by the Group Transformation Manager and a final assessment is conducted by two independent auditors at year end.
- Compliance with the Employment Equity Act occurs through annual submission of Employment Equity reports to the Department of Labour.
- DAe has an appointed transformation champion who manages implementation of transformation within the company.
- Transformation committee chaired by the CEO and the meeting takes place at least four times per annum. The role of the committee is to discuss targets, progress and strategies to meet the plans. The committee comprises of union representatives, entity transformation champions, HR practitioners and nominated employees to represent non-unionised employees. Line management responsible for the various elements of the B-BBEE codes also attend the committee meetings. This process of managing transformation ensures active involvement by all stakeholders.

DAe'S PERFORMANCE ON B-BBEE

This is the fourth year that DAe has been evaluated by an external agent on B-BBEE. The company's target was to maintain an overall level 4 contributor status for 2012/13 but DAe achieved a level 3 status as illustrated in the graph to the right.

Companies B-BBEE performance 2011/12 vs. 2012/13



DAe has improved its overall B-BBEE scorecard from 72.87% in 2012 to 79.45% in 2013. This score makes DAe a 110% contributor and adds value to suppliers. The challenge, however still remains with the employment equity element. The new financial year will see DAe placing greater emphasis on equitable representation at all levels.

Improving Organisational Climate

The entity’s climate improvement plans are evaluated for performance annually by an independent consulting firm. The overall score for this reporting period is 85% which is 7% better than the previous year’s 78%. The table below illustrates the performance indicators designed by the company to track its progress:

RATING	SCORE	TRANSFORMATION STATUS	DESCRIPTION
5.0	100%	Transformed	This level shows exceptional achievement of targets in the transformation plan of an entity that is far beyond expectation. Transformation has become embedded in the entity’s culture and practices.
4.0 – 4.99	80% - 99%	Sustaining transformation	This level indicates that an entity has achieved over and above their planned initiatives, meaning the entity is moving beyond contracted targets.
3.0 – 3.99	60% - 79%	Transforming	This level shows that the entity has achieved its planned transformation initiatives and in so doing is regarded as a “transforming” organisation.
0.0 – 2.99	0% - 59%	Inadequate transformation	This level indicates that the entity has not achieved and/or implemented the transformation initiatives as planned.

SOCIO-ECONOMIC DEVELOPMENT

Denel Aerostructures is not only a leader in advanced and cutting edge manufacturing technology; we believe that caring for our community is an important part of being a responsible leader in the industry. Our vision is to contribute to meaningful and sustainable upliftment of the immediate community in our area of operation. In line with this goal, the following has been achieved;

SCHOOLS OUTREACH PROGRAMME

Denel Aerostructures is involved in youth development through the schools outreach programme. This initiative aims to promote careers in Aerospace amongst learners from previously disadvantaged communities. During this financial year, Denel Aerostructures hosted career days at both the Swartkop- and Rand Airshow. Approximately 200 learners from nearby communities attended these events whereby they had the opportunity to experience a showcase of our products and services, as well as a career talk by our female engineers. Through this type of outreach, Denel Aerostructures hope to instill a passion in our youth for the aerospace industry.

TAKE A GIRL CHILD TO WORK

Denel Aerostructures holds high the value of exposing young female South Africans to the various career opportunities within the Aerospace and Aerostructures industry. During the 2013 financial year, Denel Aerostructures hosted sixty girl learners from the Kids Haven Children's Home, the Reiger Park Technical School and children of DAe employees.

SAAF BENEVOLENT FUND

As a caring partner in the Defence and Aerospace industry, Denel Aerostructures provide financial support to the Chief of Air force benevolent fund. The fund provides financial and practical support to soldiers, former soldiers, and their families in times of need.

"MAKE 'EM FLY CAMPAIGN"

Denel Aerostructures in partnership with Kids Haven, a shelter for homeless children launched a campaign, which involves donations and promoting math and science. Through this partnership Denel Aerostructures offered an internship opportunity to a star learner from Kids Haven in the Marketing and Communication Department of DAe. Denel Aerostructures also donated towards the youth graduation programme at Kids Haven. DAe also ensured a presence at the graduation ceremony by providing a presentation on possible career paths available in the Aerospace Industry.

SUPPORTING EDUCATION

Denel Aerostructures donated furniture in excess of twenty five thousand rands to Eldocrest Primary School in Eldorado Park, South of Johannesburg.

MANDELA DAY

In honor of former President Nelson Mandela, Denel Aerostructures actively participated in the annual event by identifying and supporting a community in need. During this financial year Denel Aerostructures in full participation with our employees donated food parcels, clothes, books and toys to over one hundred families in Wattville, a needy informal settlement near Benoni.

ENTERPRISE DEVELOPMENT

At Denel Aerostructures, we believe that supporting entrepreneurs and small/medium businesses, plays a major role in ensuring long-term sustainable benefits for our country. DAe as a Tier one industry operator has set itself the objective of acting as an advanced manufacturing catalyst in supporting and training local suppliers to meet international standards in an economically sustainable manner.

The outcome of this initiative is a growing base of efficient and accredited suppliers benefiting from the global aerospace industry. This project has benefitted local companies, such as Cliff's Way, Daliff and Aerosud.

OCCUPATIONAL HEALTH AND SAFETY

OVERVIEW

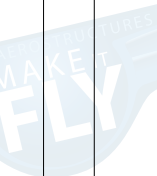
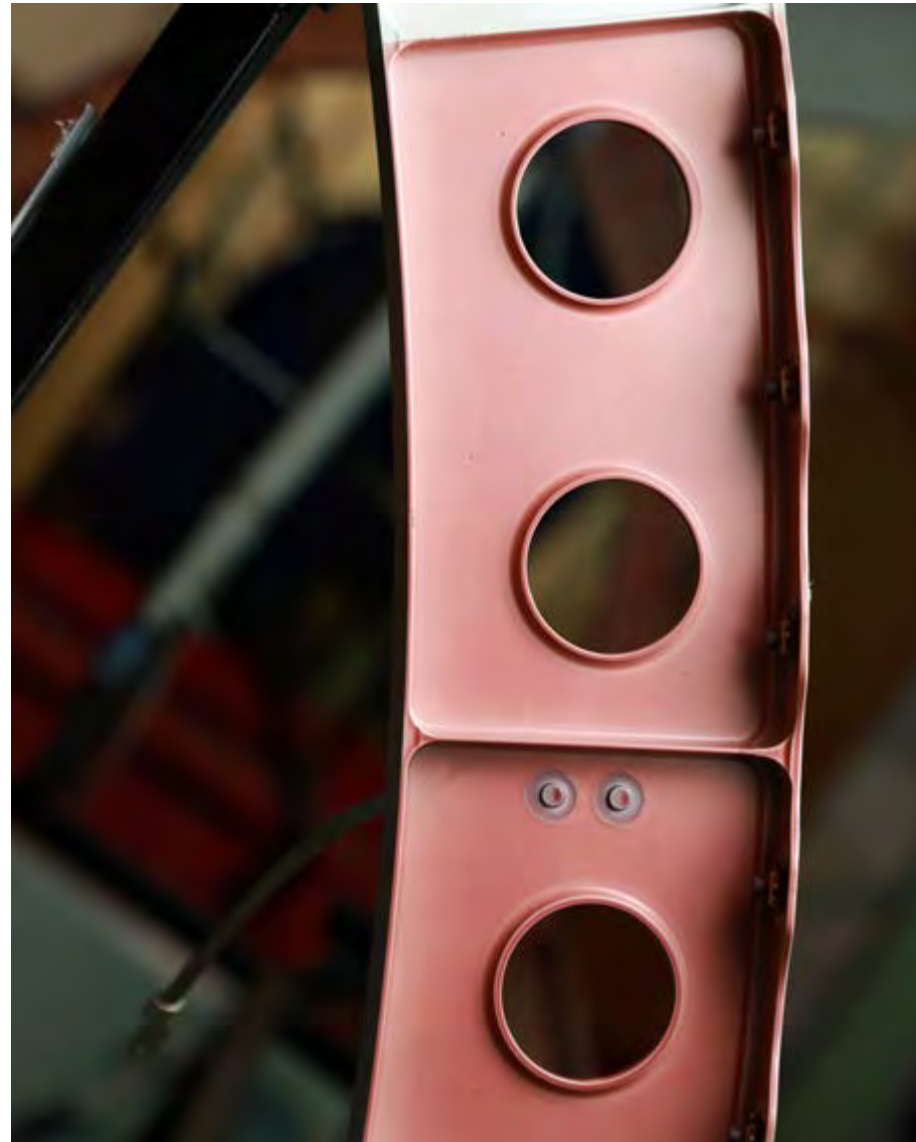
Denel Aerostructures has both a legal and moral obligation to ensure a safe and healthy work environment for its employees by implementing processes and systems to prevent incidents and accidents on its premises. Denel Aerostructures recognises that occupational safety is an important aspect of sustainability and contributes positively to the attainment of millennium development goals to which South Africa subscribes. Denel Aerostructures conducted risk assessments, pre-employment, exit and periodic medical examinations to ensure physical conditions are identified, assessed and addressed. Through training and communication, Denel Aerostructures continuously raised safety awareness among employees. In line with statutory requirements, occupational health, safety and environmental committees are in place to ensure involvement of both employees and management in addressing pertinent issues. Denel Aerostructures has appointed responsible persons in terms of the Occupational Health and Safety Act to ensure that legal requirements are met.

Material interventions relating to occupational health and safety are:

- Occupational evaluation of health and safety system performance;
- Medical examinations;
- Occupational hygiene surveys and risk assessments;
- Occupational health and safety training and awareness.

Occupational health and safety system and performance

In support of the overarching objective to ensure a safe work environment, Denel Aerostructures' performance is measured in terms of Lost Time Injury Frequency Rate (LTIFR) taking into account incidents, accidents and hours worked. The LTIFR target of less than 1 is set to enable benchmarking of occupational health and safety performance. A comparative representation of the performance for Denel Aerostructures against this target for the last two years is summarised in the following table:



Safety systems and performance

BUSINESS DIVISION	MANAGEMENT SYSTEM	TARGET: LTIFR		
		Actual 2013	Target 2013	Actual 2012
Denel Aerostructures	Aligned to OHSAS 18001 system, certification during 2011.	0.34	<1	1.02

The improved industry benchmark performance can be attributed to an effective occupational health and safety risk management process which is underpinned by training and communication to heighten awareness as indicated below.

Medical examinations

As part of the staffing process, employees' health is taken into account prior to placement, during placement and when employees exit the organisation. Denel has established occupational health centres operated by qualified occupational health and occupational medicine practitioners to conduct medical examinations in order to assess the health of employees, especially those involved in high-risk occupations. Procedures undertaken during the year under review are tabulated below:

DENEL AEROSTRUCTURES	
Pre-employment and exit medical examinations.	147
Periodic medical examinations.	166
Biological monitoring	0
Audiometric (hearing) tests.	327

Reportable incidents in terms of Section 24 of the OHS Act

Denel Aerostructures reached 975 000 hours free of reportable injuries up to November 2012, when an incident occurred in a process of training. Denel Aerostructures (DAe) has experienced a very safe and healthy environment throughout the process of the A2 consolidation project footprint consolidation project with contractors on site. DAe ensures that the external contractors comply with DAe's

safety procedures. Regular safety inductions are being held with external contractors as they are being monitored on a regular basis by the SHE personnel to ensure they comply with the policy. No minor or major injuries were sustained by external contractors during the A2 consolidation project and this has been achieved due to the high discipline of the SHE Programme and participation of everyone at Denel Aerostructures.





NATURE OF THE INCIDENT	ACTION TAKEN TO PREVENT RECURRENCE
As part of training and employee was riveting a test piece to a automated frame when his finger got caught in the clamping jaws of the riveter.	Trainee was made aware about the hazards around the machine. A trainer will be present at all times when the trainee is operating the automated frame riveter.
An employee missed a step and fell	Erected a warning sign.

OCCUPATIONAL HYGIENE SURVEYS AND RISK ASSESSMENTS

Health Risk Assessment

NATURE OF THE SURVEY CONDUCTED	CRITICAL FINDINGS	CORRECTIVE ACTION TAKEN
Health Risk Assessment	The eating area is inside the paint shop.	The eating area was moved to outside of paint shop.
	Male changing room is combined with running drinking water taps and fridges.	Separate changing rooms were built.
	Employees exposed to radiation are given Desimeter badges. These badges are supplied, managed and reported on by the SABS.	Employees in contact with radiation are included on the annual full blood count, medical surveillance.



A fire Risk Assessment was conducted at Denel Aerostructures and the most significant are reported below.

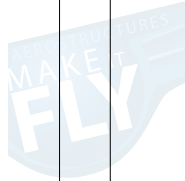
NATURE OF THE SURVEY CONDUCTED	CRITICAL FINDINGS	CORRECTIVE ACTION TAKEN
Fire Risk Assessment	<ul style="list-style-type: none"> • Safety signs and fire equipment in A2 building to be expanded. • Flame proof covers to be installed over the lights. • The hot wax work centre heat source requires daily inspections. • All gas bottles to be stored in steel grids and fire fighting equipment must be easily accessible. • Records for the servicing and maintenance of main transformers must be kept. • Examine the process layout and flow of materials to ensure optimal product stacking in material store. • Update oil removal and spillage system. 	<ul style="list-style-type: none"> • Adequate safety signs, fire fighting equipment, and flame proof covers are being installed. • Personnel for daily inspections have been appointed. • A gas storage facility was built as required by the act. • Denel Properties are servicing transformers monthly and records are kept which are available to DAe. • Fire equipment in Raw Material Store will be re-positioned. • A2 Consolidation Project to relocate oil store in process.

Occupational Health and Safety Training and Awareness

To familiarise employees with safe work practices routine health and safety induction and specific job-related safety training is provided to all employees. This has contributed positively to the good safety performance of the business during the year. Details of training provided during the year under review are tabulated below.

TRAINING TYPES OFFERED	NUMBER OF EMPLOYEES TRAINED PER BUSINESS ENTITY
Health and safety induction	26 contractors
Hazardous chemical substances	2
Safety representatives	6
Hazard identification and risk assessments	5
First aiders	21
Crane and forklift operators	41
Lead training	0
Vessels under pressure	0





5. SUSTAINABILITY REPORT

6. ANNUAL FINANCIAL STATEMENTS

7. INFORMATION SERVICES



ENVIRONMENTAL RESPONSIBILITY

Overview

Denel Aerostructures (DAe) is committed to creating a healthy and safe working environment, preventing pollution, conducting business in an environmentally sound manner, striving to minimise potentially adverse impacts, enhancing impacts with positive potential, producing and supplying products which conform to customer specifications and expectations.

The objective is to optimise the utilisation of raw materials and energy sources, eliminate, reduce and recycle waste where possible and to minimise impacts on the environment and the community in which it operates.

In meeting the above objectives DAe strives to comply with all applicable legislation and corporate requirements.

ENVIRONMENTAL POLICY AND MANAGEMENT SYSTEM

Denel Aerostructures complies with all applicable laws and legislation, including, Ekurhuleni Municipality by-laws, National Environmental Management Act and the OSH Act.

The company's commitment to environmental sustainability is embodied in its safety, health and environmental policy. These policies outline a range of precautionary principles that guide our operational planning and management.

Employee training and awareness

- Employees are trained on safe work procedures regarding the use, handling, storage and labelling of the HCS and procedures to be followed in the event of spillages, leakages or any similar emergency situation which could take place by accident.

Waste practices and recycling

- 100% of aluminium waste generated from the manufacturing process is recycled.
- Domestic waste is collected and disposed of by the approved environmental specialist in collaboration with Denel Industrial Properties.
- Hazardous waste is safely disposed by Enviroserve. Denel Aerostructures is still waiting on Enviroserve to dispose their chemical waste once they have met the required minimum quantity of 40 drums of waste chemicals on site, hence there were no records of chemical waste collected yet in the current year.

Weight of waste, by type and disposal method

DESCRIPTION OF WASTE DISPOSED OR RECYCLED	WEIGHT OR VOLUME OF WASTE		CERTIFICATION OF SAFE DISPOSAL
	Current year	Prior year	
Aluminium	6* tons	45 tons	
Silver Cyanide		4 tons	
Copper Cyanide		210 l	
Cyanide		1570 l	
Heat Treatment Salts		420 l	
Adrox 6333		1005 l	
Effluent Water		164 kl	
Cadmium Waste		240 l	
Enstrip Cyanide Waste		1680 l	
Caustic and Chromic acid		10 tons	
Empty tins of Paint.	1.75 tons		received
Effluent Sludge	4.4 tons		received

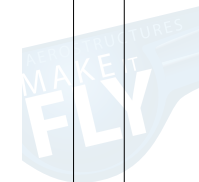
*Note : During 2012/13 the cut-to-size concept was adopted. Currently more than 90% of Aluminium is procured under the cut-to-size concept.

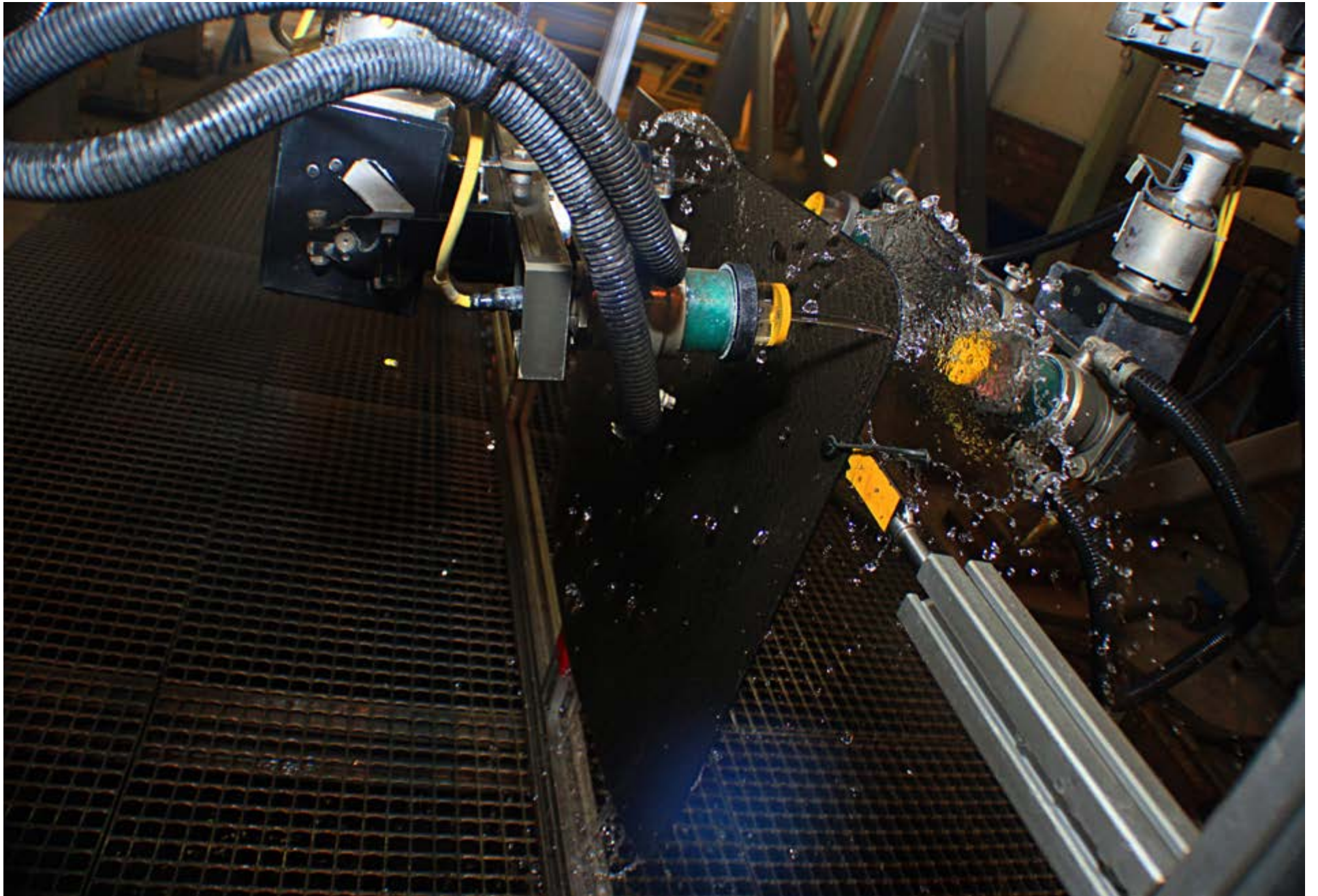
Energy and Water Usage

Denel Aerostructures is participating in the Kempton Park Campus energy saving project and the occupation of buildings has been reduced from 54 000 square meters to 25 000 square meters. Water usage is managed by Denel Industrial Properties.

Environmental impacts of products and services

- DAE's products are in accordance with customer requirements, and comply with all applicable legislation, in addition products comply with European Regulations (REACH).
- As part of the operating procedure all hazardous substances are contained in environmentally safe storage and handling facilities and this is reviewed on a weekly basis.





Compliance with laws and legislation

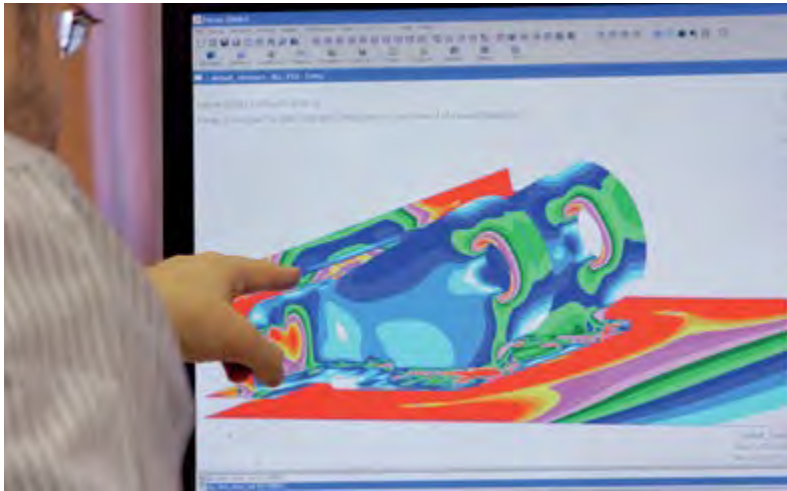
DESCRIPTION OF KPI'S	CURRENT YEAR	PRIOR YEAR	DETAILS, COMMENTS AND CORRECTIVE ACTION
Monetary value of fines for non-compliance with environmental laws and regulations (No fines).	0	0	N/A
Number of non-monetary sanctions for non-compliance with environmental laws and regulations.	0	0	N/A

Environmental management systems and ISO14000 Certificates

- Denel Aerostructures is in a process of aligning its procedure with the international standards to ensure compliance to customer requirements.
- A Gap Analysis between the systems has been performed, which will allow Denel Aerostructures to be audited based on the new integration of the standard (ISO 14001, OSHAS 18001, ISO 9001).



WORLD-CLASS ENGINEERING CAPABILITIES





WORLD-CLASS
MANUFACTURING
CAPABILITIES



ANNUAL FINANCIAL STATEMENTS





6. ANNUAL FINANCIAL STATEMENTS

7. INFORMATION SERVICES



REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is independent and consists of four independent, non-executive directors. It meets at least three times per year as per its terms of reference. Attendance of meetings, dates of appointments, and qualifications of the members are included in the governance report on page 55 to 57.

The committee reports that it has adopted appropriate formal terms of reference as approved by the Board and is satisfied that it has discharged its responsibilities in terms of the Companies Act and PFMA, and further responsibilities assigned to it by the Board as contained in the terms of reference.

In the conduct of its duties, the committee has, inter alia, reviewed:

- The effectiveness of internal controls.
- The risk areas of the company's operations covered in the scope of internal and external audits.
- The adequacy, reliability and accuracy of financial information provided by management.
- Accounting and audit concerns identified through internal and external audits.
- The entity's compliance with legal and regulatory provisions.
- The effectiveness of the internal audit function.
- The activities of the internal audit function, including its annual audit plan, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- The independence and objectivity of the external auditors.

The committee is of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the annual financial



statements, and accountability for assets and liabilities is maintained. This opinion is based on the information and explanations given by management regarding various processes and initiatives aimed at improving the internal control environment and the integrity of information, discussions with internal audit, as well as the independent external auditors on the results of their audits.

Other than as reported in the directors' report, nothing significant has come to the attention of the committee indicating any material breakdown in the functioning of these controls, procedures and systems during the period under review. The committee is satisfied that the annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

External auditor appointments and independence

The committee nominated and recommended SizweNtsalubaGobodo with KwinanaEquifin as subcontractors, as independent external auditors for the financial year ending 31 March 2013 at the Annual General Meeting (AGM). The committee has satisfied itself that the external auditors was independent of the company, as set out in the Companies Act of South Africa, which includes consideration or conflicts of the interest as prescribed by the Public Audit Act (PAA). Requisite assurance was sought and provided by the external auditor that internal governance processes within the audit firm support and demonstrate its claims to independence. The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2013 financial year end.

Expertise and experience of the chief financial officer and finance function

The committee has satisfied itself that the chief financial officer has appropriate expertise and experience. The committee has considered, and has satisfied itself of the appropriateness of the expertise and the adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

The committee has evaluated the annual financial statements of Denel Aerostructures SOC Ltd for the year ended 31 March 2013 and based on the information provided to it, considers that they comply in all material respects with the requirements of the South African Companies Act, the Public Finance Management Act (PFMA) and International Financial Reporting Standards (IFRS).

Furthermore, the Audit and Risk Committee concurs that the adoption of the going concern assumption in the preparation of the annual financial statements is appropriate. At its meeting of 19 June 2013, the committee recommended the adoption of the annual financial statements by the Board of Directors.



Fikile Mhlontlo
Chairman of the Audit and Risk Committee

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DENEL AEROSTRUCTURES SOC LTD FOR THE YEAR ENDED 31 MARCH 2013

Introduction

We have audited the financial statements of Denel Aerostructures SOC Limited as set out on pages 90 to 125, which comprise the statements of financial position as at 31 March 2013, the statements of comprehensive income, statement of changes in net equity and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

The Board of Directors which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Denel Aerostructures SOC Limited as at 31 March 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2013, we have read the Directors' Report, report of the Audit Committee, and the company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on our reading of these reports, we have not identified material inconsistencies between the reports and the audited financial statements. However, we have not audited these reports and accordingly we do not express an opinion thereon.

Report on other legal and regulatory requirements

In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance

with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

The performance against predetermined objectives has been consolidated at Denel SOC Ltd group.

Compliance with laws and regulations


We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.

We did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements, performance report and compliance with laws and regulations.

We did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report



Sizwe Ntsaluba Gobodo

Director – Dan Govender
Registered Auditor
Chartered Accountant (SA)
19 June 2013

20 Morris Street East
Woodmead, 2191

DIRECTORS' RESPONSIBILITIES AND APPROVAL



The Board of Directors is pleased to present its report and the audited annual financial statements for the year ended 31 March 2013.

The directors are responsible for the integrity and fair presentation of the annual financial statements of Denel Aerostructures SOC Ltd. The annual financial statements presented on page 90 to 125 have been prepared in accordance with International Financial Reporting Standards, the South African Companies Act No. 71 of 2008 (as amended) and the Public Finance Management Act No. 1 of 1999. These annual financial statements have been prepared in accordance with appropriate accounting policies and include amounts based on judgements and estimates made by management. The directors have supervised the preparation of information included in the annual report and are responsible for both its accuracy and consistency. The directors are satisfied that at the time of approving the annual financial statements it is appropriate to use the going concern basis in preparing these financial statements. In arriving at this conclusion, the directors considered the cash position at 31 March 2013, the cash requirements for at least twelve months from that date, the available financial guarantee from Denel SOC Ltd and the announced recapitalisation of the company by National Treasury. The going concern is discussed in more detail on page 88 of this report.

The external auditors are responsible for independently auditing and reporting on the annual financial statements. The report of the independent auditors appears on page 84. The directors are of the opinion that the annual financial statements fairly present the financial position of Denel Aerostructures SOC Ltd and the results of its operations and cash flow for the year ended 31 March 2013. The annual financial statements for the year ended 31 March 2013, set out on page 90 to 125, have been prepared under the supervision of Ms C Slabbert CA(SA) and were approved by the Board of Directors on 19 June 2013 in terms of the Companies Act and the Public Finance Management Act and is signed on their behalf by:

Dr G C Cruwagen
Chairman of the Board

Ismail Dockrat
Chief Executive Officer

Certificate by Company Secretary

The Company Secretary certifies that the company has lodged with the companies and Intellectual Property Commission (from 1 May 2011) all such returns as are required of a public company in terms of the Companies Act of South Africa, 71 of 2008 and that all such returns are true, correct and up to date.

Ms V Ravjee
Company Secretary



DIRECTORS' REPORT

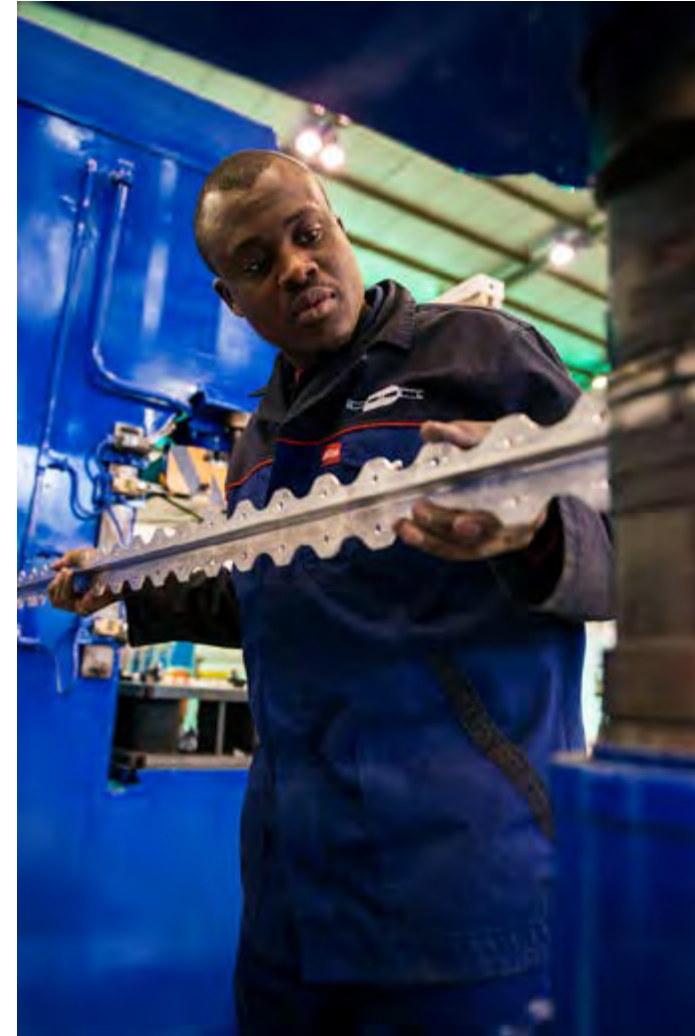
FINANCIAL REVIEW

The financial results for the year under review are presented and discussed below:

	2013	2012
	R	R
Turnover	261,524,452	260,143,903
Cost of Sales	(309,030,211)	(220,753,459)
Gross profit/(loss)	(47,505,759)	39,390,444
Other income	83,617,750	11,066,917
Other operating expenses	81,715,852	(124,527,816)
Loss before interest and tax	(45,603,861)	(74,070,455)
Net Interest	(5,240,581)	(4,401,498)
Loss for the Year	(50,844,442)	(78,471,953)

The company is showing steady signs of improvement in the financial performance with a reduced loss of R 50.8 million compared to the prior year of R78 million. This can largely be attributed to the following:

- Turnover for the year under review was R59 million more than the budgeted turnover of R202 million. This has positively contributed to the improved net loss position for the current year. The increased sales are mainly due to the increased non-recurring costs incurred on the Airbus programme and additional short term work packages obtained on the A400M Programme.
- Other Income consists mainly of the revaluation profit (R 78 million) with the settlement of the Saab AB loan at a lower value than the outstanding loan amount.
- With the conclusion of the Saab Gripen and Agusta A109 work packages during the





year under review, a reversal of the previous provision for future contract losses lead to a positive impact in the Statement of Comprehensive Income to the value of approximately R 8.9 million.

DAe remains in a turnaround phase and due to the historic structural misalignment between its revenue and cost bases, it will continue to post losses in the short to medium term before achieving break even in 2016/17.

SIGNIFICANT CONTRACTS

AIRBUS A400M

DAe is contracted for the design, development, manufacture, supply and supporting activities of the Airbus A400M Wing-to-Fuselage Fairing (WFF) and Top Shells (TS) structural components. The WFF is an essential part of the aircraft that provides protection against lightning strikes, hail damage and bird strikes to the sensitive equipment under the centre wing portion. The WFF is made up of 110 composite panels and doors and 1,100 metallic parts and is designed for ease of systems installation and maintenance. The TS is made up of more than 1,000 parts consisting of a large machined skin, engineered out of an aluminium alloy. Each aircraft is fitted with two top shells positioned in front of and behind the wings where it is joined to the fuselage. Over a thousand system brackets support the vital electric and electronic wiring, hot air and heat exchange piping and include the aircraft's life-rafts.

Since contract signature in early 2005, DAe has designed and manufactured 18 WFF and 19 TS ship sets. The first production models for TS and WFF were delivered in December 2010 and November 2011 respectively. The first production aircraft MSN007 is to be delivered to the French Air force during 2013. The deliveries will continue until MSN198 in October 2020. The contract provides for 174 ship sets. DAe is currently gearing up for early ramp-up which will increase production of the WFF and TS to eight in 2012/13, 16 in 2013/14 and 24 in 2014/15. Thereafter the rate of two ship sets per month will be maintained during serial production phase.

The A400M contract was renegotiated with Airbus and amendments within the contract was effective during the financial year under review. Included in the negotiation commitments was the reinstatement of a previously cancelled A400M work package to DAe, namely the Ribs, Spars and Sword work package. Industrialisation commenced during the 2012/13 financial year for this work package with first article inspection and initial production units to follow in the 2013/14 financial year. The strategy going forward is to scale capabilities to A400M requirements and to simultaneously secure new orders aligned to such A400M technologies & capabilities.

The A400M programme accounted for revenue of R159m during the year under review.



IMPAIRMENT OF ASSETS

Impairment tests, as prescribed by International Financial Reporting Standards, to assess the recoverability of the carrying value of plant and equipment in the balance sheet were performed due to the losses and negative cash flows being incurred. The impairment test had to be performed by an industry expert that was an independent plant and equipment valuator. Management had to rely on the significant judgments and estimations made by this industry expert for the impairment consideration of plant and equipment. The relevant details are disclosed in the accounting policies (Impairment of property, plant and equipment) of the annual financial statements.

The impairment of assets test revealed that no further impairment provisions were necessary as at year-end.

FUNDING

During the 2013 financial year, DAe received a recapitalisation of its balance sheet to the value of R 900 million to support its turnaround plan. It is our understanding that this recapitalisation is at the back of the R 700 million recapitalisation given to Denel by Government to support its Aerostructures business. This recapitalisation ensured that DAe has the necessary working capital to fund its operations during its turnaround phase. Additional Shares were issued to the Shareholder for the recapitalisation received during the year under review.

During the financial year under review a repayment of the long term, interest bearing borrowing from the Shareholder of R 200 million was made. In light of the recapitalisation received the solvency within the balance sheet of DAe improved to support Management's endeavors to obtain new business. Due to the fact that the Aerospace Industry is mainly characterised with long term business cycles, it is an imperative for prospective customers that assurance is given that solvency and liquidity can be portrayed within its Balance sheet. With this in mind, a decision was taken to repay a portion of the long term borrowing as mentioned above, as well as the Saab AB loan. These repayments improved the overall solvency of the balance sheet to acceptable levels for business development purposes.

A long term loan owing to Saab AB to the value of R101 million was outstanding at the 2012 financial year-end. The loan originated when Saab AB was a minority shareholder of the company and provided funding to the company via a shareholders loan. Saab AB exited their shareholding by exercising their put option on 31 March 2011. During the 2013 financial year the settlement of the loan was negotiated at an agreed amount. A gain was recognised in profit or loss for the 2013 financial year for the delta between the outstanding loan value and the settlement amount.

DENEL AEROSTRUCTURES SOC LTD GOING CONCERN

As previously discussed, DAe received a recapitalisation to the value of R 900 million during the year under review to support the working capital requirements of its turnaround plan



until breakeven in 2016/17. Over and above the recapitalisation received from National Treasury, DAe was also recapitalised by its Shareholder, Denel SOC Ltd. Both these transactions ensured that the balance sheet of DAe is solvent and has the necessary liquidity to fund the company in the future.

DAe was also able to meet and exceed its turnaround targets during the previous two financial years and the Board is confident that it will also be successful in the future financial years. The net equity position at year-end is healthy with a balance of R 362 126 719 compared to the previous financial year of (R 487 028 839) before taking into consideration the equity loan.

After the settlement of the Saab AB loan and the repayment of a portion of the Denel long term loan, there is a cash balance of R 451 985 895 at year-end. This cash balance is deemed sufficient to fund the working capital requirements of DAe for the turnaround plan before break even in 2016/17.

The successfully renegotiated Airbus contract ensured a financially viable programme and order book security for the future. With the solvent balance sheet, Shareholder backing and proven manufacturing capability of the facility, the DAe Business Development Team is enabled to win more work packages for the future.

Taking the above factors into consideration, the Board of Directors are comfortable to prepare the annual financial statements for the financial year ending 31 March 2013 on the going concern basis. In assessing the appropriateness of the going concern assumption, all available information, which is at least but not limited to twelve months from the end of the reporting period, is taken into account.

SHARE CAPITAL

Denel Aerostructures SOC Ltd is a wholly owned subsidiary of Denel SOC Ltd. The authority to issue shares vest in the shareholder. Directors do not have the authority to issue shares on behalf of the company. There have been no changes in the authorised share capital of the company for the financial year under review. However, shares were issued to the Shareholder for the recapitalisation of the company as explained in the notes to the Annual Financial Statements.

DIVIDENDS

No dividends are recommended for payment for the 2013 financial year (2012: R nil).

COMPLIANCE WITH ACCOUNTING STANDARDS

The annual financial statements for the year ending 31 March 2013 comply with International Financial Reporting Standards (IFRS).

AUDITORS

The external auditors for the year under review, SizweNtsalubaGobodo, were appointed by Denel SOC Ltd. The statutory auditors for the forthcoming year will be confirmed at the Annual General Meeting to be held on 21 October 2013.

DIRECTORS AND SECRETARY

The company secretary role is fulfilled by Ms Vaneesha Ravjee that is a Qualified Admitted Attorney of the High Court of South Africa (TPD).

The address of the registered office of the company and company secretary is:
Denel Aerostructures SOC Ltd
P O Box 11
Kempton Park
1620

Details of the Directors of the company are reported on page 18 to 19 of the annual report.

EVENTS AFTER THE REPORTING PERIOD

In order to identify events after the reporting period, all material matters affecting the company between the approval of the annual financial statements and the publication of this report were taken into account.

No matters arose between 31 March 2013 and 19 June 2013.



STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

		2013	2012
	NOTES	R	R
ASSETS			
NON-CURRENT ASSETS		116,337,319	120,047,987
Property, plant and equipment	9	116,337,319	120,047,987
CURRENT ASSETS		681,308,032	211,374,352
Inventories	12	77,186,565	55,583,471
Trade and other receivables	13	151,916,579	155,783,881
Other financial assets	14.1	215,993	-
Loan receivable from holding company	15.2	451,985 895	-
Cash and short-term deposits	15.1	3,000	7,000
Assets classified as held for sale	10	-	1,100,000
TOTAL ASSETS		797,645,351	332,522,339

		2013	2012
	NOTES	R	R
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	1,689,103,599	789,103,599
Accumulated loss		(1,326,976,880)	(1,276,132,438)
		362,126,719	(487,028,839)
Equity loan	17	-	528,013,800
TOTAL EQUITY		362,126,719	40,984,961
NON-CURRENT LIABILITIES			
		341,171,640	111,706,527
Interest bearing loans and borrowings	18	336,236,949	109,086,482
Provisions	20.1	4,934,691	2,620,045
CURRENT LIABILITIES			
		94,346,992	179,830,851
Trade and other payables	21	60,464,448	49,426,430
Interest bearing loans and borrowings	18	-	65,513,706
Other financial liabilities	14.2	-	2,659,830
Advance payments received	19	8,906,469	26,605,362
Provisions	20.2	24,976,075	35,625,523
TOTAL LIABILITIES		435,518,632	291,537,378
TOTAL EQUITY AND LIABILITIES		797,645,351	332,522,339

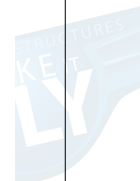
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013



		2013	2012
	Notes	R	R
Revenue	3	261,524,452	260,143,903
Cost of sales	4	(309,030,211)	(220,753,459)
(Loss) / Gross profit		(47,505,759)	39,390,444
Other income	5	83,617,750	11,066,917
Other operating expenses	4	(81,715,852)	(124,527,816)
Operating loss		(45,603,861)	(74,070,455)
Finance costs	7.1	(7,806,452)	(4,410,429)
Finance income	7.2	2,565,871	8,931
Loss before tax		(50,844,442)	(78,471,953)
Income tax expense	8	-	-
Loss for the year		(50,844,442)	(78,471,953)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(50,844,442)	(78,471,953)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

		ORDINARY SHARES	SHARE PREMIUM	ACCUMULATED LOSS	TOTAL EQUITY/ (DEFICIT)
	NOTES	R	R	R	R
Balance at 1 April 2011		400	789,103,199	(1,197,660,485)	(408,556,886)
Total comprehensive income				(78,471,953)	(78,471,953)
Loss for the year				(78,471,953)	(78,471,953)
Balance at 31 March 2012		400	789,103,199	(1,276,132,438)	(487,028,839)
Total comprehensive income				(50,844,442)	(50,844,442)
Loss for the year				(50,844,442)	(50,844,442)
Issue of share capital	16	200	899,999,800		900,000,000
Balance at 31 March 2013		600	1,689,102,999	(1,326,976,880)	362,126,719



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

		2013	2012
	Notes	R	R
OPERATING ACTIVITIES			
Net cash flows used in operating activities		(149,090,347)	(66,402,087)
Receipts from customers		292,072,199	261,814,871
Payments to suppliers and employees		(418,223,072)	(318,836,455)
Cash utilised in operations	23	(126,150,873)	(57,021,584)
Decrease in advance payments received	19	(17,698,893)	(4,979,005)
Finance costs		(7,806,452)	(4,410,429)
Finance income		2,565,871	8,931
INVESTING ACTIVITIES			
Net cash flow (used in) / generated from investing activities		(11,164,060)	903,181
Purchase of property, plant and equipment	9	(19,849,642)	(12,516,767)
Proceeds from sale of property, plant and equipment		8,685,582	13,419,948
Net cash flows before financing activities		(160,254,407)	(65,498,906)
FINANCING ACTIVITIES			
Net cash flows from financing activities		612,236,302	65,498,906
Repayments of interest bearing borrowings		(287,763,698)	-
Proceeds from interest bearing borrowings		-	65,498,906
Proceeds from share capital issued		900,000,000	-
Net increase in cash and cash equivalents		451,981,895	-
Cash and cash equivalents:			
At the beginning of the year		7,000	7,000
AT THE END OF THE YEAR	15	451,988,895	7,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

1 CORPORATE INFORMATION

Denel Aerostructures SOC Ltd is incorporated and domiciled in South Africa. The company's principle business is to provide design services, manufacture and assemble aerostructures. The annual financial statements are presented in South African Rand, which is also the company's functional and reporting currency and all values are rounded to the nearest Rand.

2 ACCOUNTING POLICIES

2.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

2.2 Basis of preparation

The annual financial statements are prepared on the historic cost basis, with the exception of derivative financial instruments, financial instruments at fair value through profit and loss, which are measured at fair value.

The preparation of annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the annual financial statements and estimates with a significant risk of material adjustment in the following year are discussed in note 2.4.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. No amendments to IFRS and International Financial Reporting Interpretations Committee (IFRIC) proposed amendments became effective during the year.

2.4 Significant judgements and estimates

In the process of applying the company's accounting policies, the following judgements and estimates have been made, which are considered to have the most significant effect on the amounts recognised in the annual financial statements:

Revenue, contract risks and onerous contracts

The company accounts for a group of contracts, whether with a single customer or several customers as a single construction contract when the contracts are so closely inter-related that they are, in effect, part of a single project with an overall profit margin.

The company uses the percentage of completion method in accounting for its contract revenue. The stage of completion is determined based on the costs incurred to date as a percentage of total estimated cost of each contract.

Contract revenue comprises of the initial amount of revenue agreed in the contract, contract variation orders (CVOs) and claims and incentive payments. The company evaluate cost to completion on all contracts to determine the extent of revenue to be recognised, as well as to assess the profitability of a contract. In the instance where costs exceed expected revenue, a provision for contract losses is raised. In determining the cost to completion, the following assumptions are used:

- Labour hours are estimated based on a review of the outstanding functionalities and the experience of the project managers in conducting similar processes, as well as their understanding of the requirements. In cases where the process requires new and unique work, anticipated hours are used.
- The average labour rates are determined from known company labour rates based on normal capacity (determined during the annual budget process) for specialists and specific functional areas, depending on the mix of various processes and work content.
- Manufacturing overheads are allocated pro rata according to IAS 11 Construction Contracts. Indirect costs are not specifically allocated to a product or an activity.
- Material costs are based on the engineering or production bills of material together with the latest material prices available. This also includes the purchasing price, import and purchasing levies, freight and handling costs and all direct procurement costs, less discounts and subsidies on purchases.
- Inflation and rates of exchange adjustments are made based on information supplied by rates quoted in the active market
- Technical obsolescence on aircraft contracts where rapidly changing technology may result in a re-engineering requirement on these systems.



2.4 Significant judgements and estimates (continue)

Management made significant judgements on the following:

Airbus A400M contract

The contract costs to completion on the A400M contract have been calculated based on management's best estimates taking into account the technical and industrial uncertainties attached to the programme. These include quantities to be delivered on specific dates, escalations and a delay of 4 years. No provision has been made for contract losses on the contract as these are offset by the indemnity agreement signed by the government.

Shareholder's Loan

The shareholder's loan was previously split between an equity and a liability component. Due to the re-capitalisation of the company by the shareholder to the amount of R900 million the company became solvent and is in a position to repay the loan if it so wish. As a result of the surplus funds the company re-paid R200 million of the loan during the year. Management is therefore of the view that the shareholder's loan do not contain an equity component and therefore the equity component of the loan has been reclassified to non-current borrowings.

Impairment of property, plant and equipment

Impairment assessments are performed that demonstrate impairment indicators. The company's impairment tests for property, plant and equipment are based on fair value less cost to sell using the estimated fair value of the assets less the estimated costs of disposal.

Product warranties

Anticipated warranty cost is based on the technical risk estimations in terms of single opportunity production contracts, and historical data in terms of repetitive production type contracts. The estimation is based on past experience (proven results) and varies per type of contract. This is expressed, as a percentage of cost of sales, ranging from nil to 10.0%, and is determined at the quotation phase and is reviewed on a regular basis.

2.5 Summary of significant accounting policies

2.5.1 Revenue recognition

Sale of goods and services

Revenue comprises the invoiced value of goods and services, net of Value Added Tax, rebates and discounts.

Revenue from the sale of goods is recognised in profit or loss when significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods and continuing management involvement with the goods.

Long-term contracts

Contract revenue and costs relating to long-term construction contracts are recognised in profit or loss in proportion to the stage of completion of the project at year-end if the outcome of a contract can be estimated reliably. However, when the outcome of a contract cannot be reliably measured then revenue is recognised to the extent of contract costs incurred that is probable of being recovered, while contract costs are recognised in the period in which they are incurred. Depending on the nature of the contract, the stage of completion is determined as follows:

- For specific identified development contracts of sub-assemblies where there is a significant amount of uncertainty, the stage of completion is based on the extent of achievement of predetermined milestones within the contract. These significant uncertainties are only satisfied once client certification takes place.
- On all other contracts, the stage of completion is determined with reference to costs incurred to date as a percentage of total estimated costs.

A group of contracts, whether with a single customer or with several customers, are treated as a single construction contract when the contracts are so closely inter-related such that they are, in effect, part of a single project with an overall profit margin.

Contract revenue comprises:

- The initial amount of revenue agreed in the contract;
- Variations in contract work and incentive payments:
 - » To the extent that it is probable that they will result in revenue; and
 - » They are capable of being reliably measured.
- A claim is an amount that the company seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are included in contract revenue only when:
 - » Negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and
 - » The amount that is probable will be accepted by the customer and can be measured reliably.

An expected loss on a contract is recognised immediately in profit or loss.

Finance income

Finance income comprises interest income on funds invested.

Interest income is recognised using the effective interest rate method when it is determined that such income will accrue to the company.

Other income

Other income is any income that accrues to the company from activities that are not part of the normal operations and is recognised when it is probable that future economic benefits will flow to the entity.

2.5.2 Discontinued operations and non-current assets held for sale

A discontinued operation is a component of the company's business that has either been disposed or is classified as held for sale and that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to its subsequent disposal.

Assets are classified as non-current assets held for sale if the carrying amount would be recovered principally through sale and not continuing use.

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is done in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to its subsequent disposal.

Impairment losses on initial classification as held for sale are recognised in profit or loss. Gains, limited to previously recognised impairment losses and losses on subsequent measurement, are recognised in profit or loss.

2.5.3 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. The impact of the periodic unwinding of the discount is recognised in profit or loss as finance cost as it occurs.

2.5.4 Taxes

Income tax for the year comprises of current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates

enacted or substantially enacted at the reporting date and any adjustments relating to prior years.

Deferred tax is provided in full using the liability method for temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided for the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply for the year when the asset is realised or the liability is settled based on tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is only recognised to the extent that it is probable that future profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related taxation benefit will realise.

Deferred tax assets and liabilities are recognised on a net basis for each tax entity.

Revenue, expenses and assets are recognised net of the amount of value added tax (VAT) except:

- Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- Receivables and payables that are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.5.5 Financial instruments

The company initially recognises financial assets and liabilities on the trade date at which the company becomes a party to the contractual provisions of the instrument.

Non-derivative financial instrument

Non-derivative financial instruments comprise loans receivable, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value, plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:



2.5.5 Financial instruments (continue)

Financial assets

The company has the following classes: financial assets at fair value through profit or loss, as well as loans and receivables (including insurance receivables) and cash and cash equivalents. The company currently does not hold any held-to-maturity or available-for-sale assets.

Loans receivable

Loans receivable are subsequently measured at amortised cost. The amortised cost is determined using the effective interest rate method. Where a loan has been impaired, the impairment loss is recognised as an expense in profit or loss in the period in which the impairment has occurred.

Trade and other receivables

Trade and other receivables are carried at amortised cost less impairment losses. Impairment losses are recognised in profit or loss and are measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective rate of receivables. Once an impairment loss has been recognised, recovery proceedings are continued. Impairment losses are decreased in subsequent periods only if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held on call with banks, net of bank overdrafts, and investments in money market instruments with an original maturity of three months or less, all of which are available for use.

The interest bearing loan account of the holding company is used as a banking facility and the holding company invests the surplus funds on behalf of the company, therefore it is classified as cash and cash equivalents.

Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities are initially measured at fair value less transaction costs that are directly attributable to the raising of the funds, and are subsequently carried at amortised cost. Any difference between the proceeds, net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowing.

Borrowings

After initial recognition, interest bearing borrowings are measured at amortised cost using the effective interest rate method. Amortised cost is calculated after having taken into account any issue costs, discounts and premium on settlement.

Trade and other payables

Trade and other payables are stated at amortised cost. Gains and losses on the de-recognition process are recognised in profit or loss.

Derivative financial instruments

The company holds derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities, and its exposure to volatility in commodity prices. The company does not hold these derivative financial instruments for trading purposes. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Any gains or losses on the measurement of the derivative financial instruments are recognised in profit or loss. The fair value of derivative financial instruments is determined by reference to the quoted market price for assets held or liabilities to be settled at the reporting date.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately. The company contracts in various currencies based on the preference and location of the client. Where the economic characteristics and risks of the host contract and the embedded derivative are not closely related, then the embedded derivative is recognised separately. The embedded derivative is measured at fair value through profit or loss.

Foreign exchange embedded derivatives are brought into account when the company has entered into contracts denominated in foreign currencies, which are neither the measurement currencies of parties to the contract, nor the currencies in which those commodities are routinely traded in international commerce except if such currency is a common currency. The company view USD, GBP and EURO as common currencies.

All foreign exchange embedded derivatives are measured at fair value. Gains or losses arising on subsequent measurement of embedded derivatives are recognised in profit or loss. The embedded derivative assets or liabilities are released to sales, cost of sales, operating costs or a related asset to reflect a Rand host contract at the initial expected forward rate when risks and rewards pass to customers or the company.

Offset

Where a legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired; or
- The company retains the contractual right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- The company has transferred its contractual rights to receive cash flows from the asset and either:
 - » Has transferred substantially all the risks and rewards of the asset of ownership; or
 - » Has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

Where the company has transferred its contractual rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.5.6 Foreign currencies

Functional and presentation currency

Items included in the annual financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). The annual financial statements are presented in Rands, which is the company's functional and presentation currency.

Recording of foreign transactions

All foreign exchange transactions are accounted for at the foreign exchange rate ruling at the date of the transactions.

Translation of foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Rand at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the prevailing date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Rand at foreign exchange rates ruling at the dates the fair value was determined.

2.5.7 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment.

The cost of an item of property, plant and equipment includes all costs that are incurred in order to bring the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials, direct labour and the initial estimate, where applicable, of the costs of dismantling and removing the item and restoring the site on which it is located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and depreciated separately.

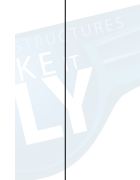
Depreciation

Depreciation is provided on the straight-line basis which, it is estimated, will reduce the carrying amount of the assets to their residual values at the end of their useful lives. Lease improvements on leasehold properties are depreciated over the period of the lease or the expected useful life whichever is the shorter period.

The estimated useful lives are as follows:

- Plant 3 to 40 years
- Machinery and equipment 3 to 60 years
- Vehicles 5 years
- Office furniture and accessories 3 to 20 years
- Computer equipment 3 to 5 years

The useful lives and the residual values of items of property, plant and equipment are reassessed annually.



2.5.7 Property, plant and equipment (continue)

Subsequent expenditure

Subsequent expenditure relating to an item or part of an item of property, plant and equipment is capitalised when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised in accordance with the principles set out below. All other costs are recognised in profit or loss as an expense when incurred.

Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised at the earlier of:

- The date of disposal; or
- The date when no future economic benefits are expected from its use or disposal.

Gains and/or losses on derecognition of items of property, plant and equipment are recognised in profit or loss.

Spare parts

Major spare parts and servicing equipment qualify as property, plant and equipment when the company expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.5.8 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the company are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of

the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is expensed over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases, where the lessor retains the risks and rewards of ownership of the underlying asset, are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives paid are recognised in profit or loss as an integral part of the total lease expense.

Combined leases with land components and building components are considered separately for classification purposes. At inception of the lease, the minimum lease payments are allocated to the components in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease. If this cannot be measured reliably, then the lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

2.5.9 Research and development costs

Research costs are expensed in the year in which they are incurred. Development costs are capitalised only when the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the ability of resources to complete and the availability to measure reliably the expenditure during the development. Development costs initially recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are reviewed annually and are expensed if they no longer meet the criteria for capitalisation.

The amortisation of capitalised development costs commences once the product or service becomes available for sale or use. Capitalised development costs are amortised over the period of expected economic benefit.

2.5.10 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Internal and external indicators are considered. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing the 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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined based on the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis.

Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. Any subsequent reversal of an impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

In respect of other non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.5.11 Inventories

Inventories are stated on the first-in-first-out (FIFO) basis at the lower of cost price and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business less the cost of completion and selling expenses. The weighted average basis is used for certain inventory items, such as chemicals and liquids where it is not practical to apply the FIFO basis. The standard cost method is used where the results approximate the actual cost. Under a standard

costing system the cost of a product is determined using predetermined rates for the material, labour and overhead expenses based on manufacturing specifications. Where inventory has been acquired on extended credit terms, the cost is adjusted with the interest expense and recognised over the payment period in profit or loss. Where trade discounts, rebates and similar items are received, it is deducted in determining the cost of inventory.

The following specific methods are applied in determining cost price:

- **Raw materials and bought-out components:** These are valued at direct cost of purchase plus the other costs incurred to bring it to its present location and condition.
- **Work-in-progress, finished products and contracts-in-progress:** These are valued at cost and include the cost of purchase of direct materials, direct labour, allocated variable and fixed production overheads based on normal production levels.
- **Consumable inventories:** Consumable inventories, such as spare parts and maintenance equipment, are valued at the direct cost of purchase and classified as inventory.

2.5.12 Finance expense

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest rate method.

Borrowing costs incurred on qualifying assets under construction are capitalised up to the date the assets are substantially complete. Capitalisation is suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised as an expense when incurred.

2.5.13 Advance payments received from sales contracts

In the case of comprehensive and/or long-term sales contracts, advance payments are negotiated with local and foreign clients. These funds are used to finance the execution of contracts which include advance payments to suppliers, finance long-lead inventory items and work-in-progress. Guarantees are provided to clients for advance payments received. Advance payments received are recognised as a current liability for amount that is estimated to be settled within one year from reporting date and as a non-current liability for the amount to be settled after one year from reporting date. Advance payments received in foreign currency are recognised at the ruling spot rate on the date of receipt. Guarantees provided are disclosed as contingent liabilities.

2.5.14 Employee benefits

Pension obligations

The company operates a defined contribution plan of which the assets are held in separate trustee administered funds. The plan is funded by payments from employees and by the relevant company based on the recommendations of independent qualified actuaries.

The company's obligations for contributions to the defined contribution pension plans are recognised as an expense in profit or loss in the year to which they relate.

2.6 Standards, Interpretations and Amendments issued that are not yet effective

At the date of authorisation of the annual financial statements for the year ended 31 March 2013, the following standards and interpretations were in issue but not yet effective:

STANDARD OR INTERPRETATION	TITLE	ISSUE DATE	EFFECTIVE DATE
IFRS 9	Financial Instruments	November 2009	1 January 2015
IFRS 10	Consolidated Financial Statements	May 2011	1 January 2013
IFRS 11	Joint Arrangements	May 2011	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	May 2011	1 January 2013
IFRS 13	Fair Value Measurement	May 2011	1 January 2013
IFRS 7	Financial Instruments: Disclosures — Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	December 2011	1 January 2013
	Financial Instruments: Disclosures — Amendments requiring disclosures about the initial application of IFRS 9	December 2011	1 January 2015 (or otherwise when IFRS 9 is first applied)
IAS 1	Presentation of Financial Statements — Amendments to revise the way other comprehensive income is presented	June 2011	1 July 2013
IAS 19	Employee Benefits (Amendment)	June 2011	1 January 2013
IAS 27	Consolidated and Separate Financial Statements — Reissued as IAS 27 Separate Financial Statements (as amended in 2012)	May 2011	1 January 2013
IAS 28	Investments in Associates — Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2012)	May 2011	1 January 2013

STANDARD OR INTERPRETATION	TITLE	ISSUE DATE	EFFECTIVE DATE
IAS 32	Financial Instruments: Presentation — Amendments to application guidance on the offsetting of financial assets and financial liabilities	December 2011	1 January 2014
ANNUAL IMPROVEMENTS			
IFRS 1	First-time Adoption of International Financial Reporting Standards — Repeated application of IFRS 1 — Borrowing costs	May 2012	1 January 2013
IAS 1	Presentation of Financial Statements — Clarification of the requirements for comparative information		
IAS 16	Property, Plant and Equipment — Classification of servicing equipment		
IAS 32	Financial Instruments: Presentation — Tax effect of distribution to holders of equity instruments		
IAS 34	Interim Financial Reporting — Interim financial reporting and segment information for total assets and liabilities		

The following new standards, amendments or improvements to the standards and interpretations as per table above is not relevant to the company: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 19 Employee Benefits (Amendment), IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, IAS 34 Interim Financial Reporting.

IFRS 9 Financial Instruments

The new standard introduces new requirements for classifying and measuring financial assets. The new standard forms part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. The company plans to adopt the standard only once the other parts of the project are available to enable the company to adopt them simultaneously.

The company is in the process of evaluating the impact on the financial statements. The following are the main features of the standard:

- At initial recognition, all financial assets (including hybrid contracts with a financial asset host) are measured at fair value.

Debt instruments

For subsequent measurement, financial assets that are debt instruments are classified at amortised cost or fair value on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

Debt instruments may be subsequently measured at amortised cost if:

- The asset is held within a business model whose objective is to hold the assets to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of a principal and interest on the principal outstanding.

All other debt instruments are subsequently measured at fair value.

Equity investments

All financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or profit or loss. This is an irrevocable choice the entity makes by instrument unless the equity investments are held for trading, in which case they must be measured at fair value through profit or loss.

IFRS 13 Fair Value Measurement

IFRS 13 Fair Value Measurement establishes a single source of guidance under IFRS for all fair value measurement that will improve consistency and reduce complexity by providing, for the first time, a precise definition of fair value and disclosure requirements for use across IFRS. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to

measure fair value under IFRS when fair value is required or permitted by IFRS.

The company is in the process of evaluating the impact on the financial statements.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 changes the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the company's financial position or performance.

IFRS 7 Financial Instruments: Disclosures

The amendment amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Further amendments to IFRS 7 relate to additional disclosures requirement on the transition from IAS 39 to IFRS 9.

IAS 32 Financial Instruments: Presentation

The amendment clarifies the meaning of "currently has a legally enforceable right to set off the recognised amounts" (IAS 32.42(a)). This means that the right of set-off:

- Must not be contingent on a future event; and
- Must be legally enforceable in all of the following circumstances:
 - » The normal course of business;
 - » The event of default; and
 - » The event of insolvency or bankruptcy of the entity and all of the counter parties.

Annual Improvements (May 2013) IFRS 1 – First-time Adoption of International Financial Reporting Standards

In this amendment, it is stated that an entity can be a first-time adopter more than once. An entity that has in the previous reporting period prepared its financial statements in terms of IFRS, but whose most recent financial statements did not contain an explicit and unreserved statement of compliance is permitted to either apply IFRS 1 when it re-adopts IFRS or IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. A first-time adopter is permitted to apply IAS 23 – Borrowing Costs, either from the date of transition or an earlier date.

IAS 1 – Presentation of Financial Statements

In this amendment, the IASB clarifies the requirements for providing comparative information for the opening statement of financial position when an entity changes its accounting policies, or makes retrospective restatements or reclassifications, in accordance with IAS 8 and the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements.

IAS 16 – Property, Plant and Equipment

This amendment states that major spare parts and stand-by equipment may be recognised as property, plant and equipment provided that the definition of property, plant and equipment is met.

IAS 32 – Financial Instruments: Presentation

This amendment clarifies that income taxes on distributions to equity holders and transaction costs should be accounted for in terms of IAS 12 – Income Taxes.

	2013	2012
	R	R
3. REVENUE		
Sale of goods and services	261,524,452	260,143,903

4. COST OF SALES AND OTHER OPERATING EXPENSES

Cost of sales and other operating expenses are arrived at after taking the following items into account:

	2013	2012
	R	R
Impairment reversed	(48,966,304)	(73,016,092)
Property, plant and equipment (refer note 9)	-	(23,038,959)
Assets transferred as held for sale (Property, plant and equipment)	-	915,260
Inventories (refer note 12)	(48,966,304)	(50,862,097)
Trade and other receivables	-	(30,296)
Auditors' remuneration	1,147,590	1,857,803
Current year	1,000,000	1,600,000
Other	147,590	257,803
Depreciation (refer note 9)	14,867,790	13,121,793
Buildings	623,542	300,063
Plant and machinery	13,930,639	12,645,456
Vehicles and office furniture	96,538	93,107
Computer equipment	217,071	83,167
Operating lease payments	14,960,347	16,326,130
Buildings	13,247,197	13,247,197
Plant and machinery	697,690	741,217
ICT Rental contracts	-	1,163,957
Computer equipment	1,015,460	1,173,759

	2013	2012
	R	R
Directors' remuneration ¹	4,717,516	4,317,062
Executive directors	4,717,516	4,317,062
Non-executive directors	-	-
Consultation fees	-	52,351
Costs of inventories recognised as an expense	36,513,414	152,285,572
Loss on disposal of assets	1,183,394	18,043
Property, plant and equipment	1,183,394	18,043
Research and development costs	1,842,632	48,475,238
Staff costs	168,047,147	160,825,653
Services costs	129,645,729	120,018,623
Staff and related provisions	17,187,913	21,267,329
Medical fund contributions	5,761,841	5,982,701
Termination benefits paid	1,409,711	453,098
Pension costs: Defined contribution plan	14,041,953	13,103,902

¹ Detailed remuneration is fully disclosed in the note 26 as Compensation paid to key management personnel. Executive directors' remuneration included is from date of appointment as director. The non-executive directors are remunerated by the holding company.



5. OTHER OPERATING INCOME

	2013	2012
	R	R
Net gains on financial instruments (refer note 6)	135,527	3,021,156
Profit on disposal of property, plant and equipment	76,456	4,729,388
Gain on redemption of loan from Saab (refer to note 18)	78,613,341	-
Other ¹	4,792,426	3,316,373
	83,617,750	11,066,917

¹ Other is mainly made up of scrap sales, insurance claims, low claim bonuses and discount received.

6. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS

	2013	2012
	R	R
Net foreign exchange differences		
Losses on settled transactions	-	(5,005,619)
Gains on settled transactions	409,267	7,163,902
Losses on fair value adjustments	(3,149,562)	(3,037,273)
Gains on fair value adjustments	2,875,822	3,900,146
	135,527	3,021,156

7. NET FINANCE COST

The amounts below relate to financial instruments measured at amortised cost (financial liabilities, loans and receivables):

	2013	2012
	R	R
7.1 Finance costs	7,806,452	4,410,429
Current interest bearing borrowings	-	120,000
Inter-group finance costs	7,806,452	4,290,429
7.2 Finance income	2,565,871	8,931
Gross interest received	69,463	8,931
Inter-group finance income	2,496,408	-
Net finance costs	5,240,581	4,401,498

8. TAXATION EXPENSE

	2013	2012
	R	R
SA Normal tax		
Current tax	-	-
Deferred tax (refer note 11)	-	-
	-	-

No provision for SA Normal tax has been made as the company is in a calculated tax loss position.

The calculated tax losses available for offset against future taxable income are as follows:

Calculated tax losses	1,227,500,629	1,263,360,937
Calculated tax losses utilised	-	-
Net available calculated tax losses	1,227,500,629	1,263,360,937

Reconciliation of tax rate

	%	%
Effective tax rate	-	-
Adjustment in tax rate due to:	28.0	28.0
Deferred tax asset not recognised	40.8	28.0
Taxable at capital gains tax rate	(12.8)	-
Deductible allowances	(0.1)	-
Non-tax deductible expenses	0.1	-
SA Normal tax rate	28.0	28.0

9. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS	PLANT AND MACHINERY	VEHICLES AND OFFICE FURNITURE	COMPUTER EQUIPMENT	TOTAL
	R	R	R	R	R
2013					
Carrying value at the beginning of the period	1,352,345	118,121,756	314,843	259,043	120,047,987
Additions	9,675,290	9,352,003	99,207	723,142	19,849,642
Disposals	(518,464)	(8,174,054)	-	(2)	(8,692,520)
Depreciation for the year (refer note 4)	(623,542)	(13,930,639)	(96,538)	(217,071)	(14,867,790)
Carrying value at the end of the period	9,885,629	105,369,066	317,512	765,112	116,337,319
Cost	10,435,944	303,617,631	1,769,841	7,815,598	323,639,014
Accumulated depreciation and impairment	(550,315)	(198,248,565)	(1,452,329)	(7,050,486)	(207,301,695)
Carrying value at the end of the period	9,885,629	105,369,066	317,512	765,112	116,337,319
2012					
Carrying value at the beginning of the period	1,558,791	98,775,962	407,950	265,611	101,008,314
Additions	93,617	12,329,340	-	93,811	12,516,768
Disposals	-	(1,361,789)	-	(17,212)	(1,379,001)
Transfer to assets held for sale	-	(1,100,000)	-	-	(1,100,000)
Impairment reversed (refer note 4)	-	23,559,970	-	-	23,559,970
Impairment for the year (refer note 4)	-	(521,011)	-	-	(521,011)
Impairment of assets transferred as held for sale (refer note 4)	-	(915,260)	-	-	(915,260)
Depreciation for the year (refer note 4)	(300,063)	(12,645,456)	(93,107)	(83,167)	(13,121,793)
Carrying value at the end of the period	1,352,345	118,121,756	314,843	259,043	120,047,987
Cost	1,797,353	303,856,379	1,678,884	7,138,159	314,470,775
Accumulated depreciation and impairment	(445,008)	(185,734,623)	(1,364,041)	(6,879,116)	(194,422,788)
Carrying value at the end of the period	1,352,345	118,121,756	314,843	259,043	120,047,987

Registers containing the information required by Regulation 25(3) of the Companies Regulations, 2011 of property, plant and equipment are available for inspection at the business address of the company. Owing to the operating losses within the company, the property, plant and equipment has been assessed for impairment. IAS 36 Impairment of assets provides that the recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The impairment was based on the fair value less cost to sell for all property, plant and equipment items. Certain property, plant and equipment were impaired in the recent past due to a lack of orders, whilst no new impairment raised this year.

Plant and machinery includes assets under construction of R5 888 391 (2012: R312 600).

10. NON-CURRENT ASSETS HELD FOR SALE

	2013	2012
	R	R
Assets held for sale		
Property, plant and equipment	-	1,100,000

The company classified a certain item of property, plant and equipment as held for sale during the previous year as it was in the process of selling a shot peening machine due to the current and projected utilisation. The company had received an offer of R1 100 000 for the asset as a result the asset was impaired with R915 260. The asset was sold during the 2013 financial year.

11. DEFERRED TAX

	2013	2012
	R	R
DEFERRED TAX		
Deferred tax assets	-	-
Deferred tax liabilities	-	-
	-	-
Movement of deferred tax assets and liabilities:		
Balance at the beginning of the period	-	-
Per statement of comprehensive income	-	-
	-	-
Net deferred tax asset comprises:		
Provisions and accruals	11,281,747	12,631,527
Property, plant and equipment allowance	18,992,215	19,232,115
Prepayments received	2,493,811	7,449,501
Amounts due to customers for work invoiced, not yet performed	-	16,613,111
Embedded derivative liabilities	-	697,813
Limit deferred tax asset to liability	(165,783)	(103,923)
Deferred tax not recognised	(32,601,990)	(56,520,144)
	-	-

Net deferred tax liability comprises:		
Embedded derivative assets	60,478	-
Prepayments made	105,305	103,923
Deferred tax not recognised	(165,783)	(103,923)
	-	-

12. INVENTORIES

	2013	2012
	R	R
Inventories are valued at the lower of cost and net realisable value and are categorised as follows:		
Raw materials and bought-out components	50,293,033	28,543,629
Work in progress	16,696,580	23,282,076
Contracts in progress	1,753,319	2,131,040
Good in transit in bound	8,443,633	1,626,726
	77,186,565	55,583,471
Accumulated impairment	8,851,163	57,817,466
Net amount of write-down/(write back) of inventories recognised as an expense	36,513,414	152,285,572



13. TRADE AND OTHER RECEIVABLES

	2013	2012
	R	R
Financial assets	125,039,549	150,745,660
Trade receivables	59,807,438	31,259,108
Trade receivables: Inter-group	375,113	755,241
Amount due from customers for contract work	57,249,797	118,382,650
Other receivables	7,607,201	348,661
Non-financial assets	26,877,030	5,038,221
Prepayments and advances made	26,742,053	4,989,561
Other receivables	134,977	48,660
	151,916,579	155,783,881

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms. Specific impairments are made for identified doubtful debts.

Amounts due from customers for contract work relates to the Indemnity claim that is outstanding for payment from the Department of Public Enterprises. Denel Aerostructures SOC Ltd expects to receive the payment of the Indemnity claim in December 2013. The amount outstanding at 31 March 2012 was paid during December 2012.

Prepayments made during the period were for the purchases of inventory and property, plant & equipment.

Impairment account reconciliation

Individually impaired

Trade receivables		
Balance at the beginning of the period	-	189,528
Written off as uncollectable	-	(159,232)
Impairment losses reversed	-	(30,296)
Balance at the end of the period	-	-

14. OTHER FINANCIAL ASSETS AND LIABILITIES

	2013	2012
	R	R
14.1 Other financial assets		
<i>Embedded derivatives</i>		
Foreign exchange embedded derivatives	215,993	-
14.2 Other financial liabilities		
<i>Derivatives</i>		
Foreign exchange contracts	-	167,641
<i>Embedded derivatives</i>		
Foreign exchange embedded derivatives	-	2,492,189
	-	2,659,830

15. CASH AND CASH EQUIVALENTS

	2013	2012
	R	R
Cash and short-term deposits (refer note 15.1)	3,000	7,000
Loan receivable from holding company (refer note 15.2)	451,985,895	-
	451,988,895	7,000
15.1 Cash and short-term deposits		
Cash on hand	3,000	7,000
Cash on hand is cash available as petty cash and earn no interest.		
15.2 Loan receivable from holding company	451,985,895	-

The interest bearing loan account of the holding company is used as a banking facility. On a daily basis the balance of the bank account of the company is off-set against that of the holding company. The group treasury department is responsible for the funding of the group who invest and borrow money at the most advantageous rate for the group. Interest on loan account is earned at market rates. The funds included in the loan account are available on demand.

16. SHARE CAPITAL

	2013	2012
	R	R
16.1 Ordinary shares		
Authorised		
Number of shares	1,000	1,000
Par value @ R1 each	1,000	1,000
Issued		
Number of shares		
Balance at the beginning of the period	400	400
Shares issued during the year	200	-
Balance at the end of the period	600	400
Par value @ R1 each		
Balance at the beginning of the period	400	400
Shares issued during the year	200	-
Balance at the end of the period	600	400
16.2 Share premium		
Balance at the beginning of the period	789,103,199	789,103,199
Shares issued during the year	899,999,800	-
Balance at the end of the period	1,689,102,999	789,103,199

16.3 Total issued share capital		
Balance at the beginning of the period	789,103,599	789,103,599
Shares issued during the year	900,000,000	-
Balance at the end of the period	1,689,103,599	789,103,599

The unissued shares are under the control of the shareholders. The directors do not have the authority to issue shares on behalf of the company.

17. EQUITY PORTION OF SHAREHOLDERS LOAN

	2013	2012
	R	R
Balance at the beginning of the period	528,013,800	346,598,172
Classified as equity during the year	-	181,415,628
Reclassified to non-current borrowings during the year (refer note 2.4 & 18)	(528,013,800)	-
Balance at the end of the period	-	528,013,800



18. LOANS AND BORROWINGS

	2013	2012
	R	R
Unsecured loan	336,236,949	109,086,482
18.1 Unsecured loan from Saab AB¹	-	100,863,333
18.2 Unsecured loan from Denel SOC Ltd²	336,236,949	8,223,149
Gross amount	336,236,949	536,236,949
Less: Equity portion of borrowing	-	(528,013,800)
Non-current portion of interest bearing loans and borrowings	336,236,949	109,086,482
Current portion of interest bearing loans and borrowings	-	65,513,706
18.3 Unsecured loan from Denel SOC Ltd³	-	65,513,706
Total loans and borrowings	336,236,949	174,600,188

1. During the financial year the company successfully negotiated with Saab AB the full settlement of the loan for R22 249 992. The company has therefore recognised a gain of R78 613 341.

2. During the current financial year the company repaid R200 000 000 of the loan using the cash received from the re-capitalisation of the company by the shareholder (refer note 16). A portion of the loan was previously classified as equity as the repayment of the loan was remote, however the equity portion of the loan has been re-classified to non-current borrowings during the year (refer note 2.4 & 17). The loan is non-interest bearing.

3. This interest bearing borrowing relates to the overdraft facility utilised by the company. Re-payment of this interest bearing borrowing have been deferred until the company's net equity position is positive. The company has re-paid the borrowing using the cash received from the re-capitalisation of the company by the shareholder.

Weighted average effective interest rates		
Unsecured loan from shareholder	6.2%	8.0%
Summary of maturity of borrowings		
Maturing within 12 months	-	65,513,706
Maturing within 12 to 60 months	336,236,949	109,086,482
	336,236,949	174,600,188

19. ADVANCE PAYMENTS RECEIVED

	2013	2012
	R	R
Non-current	-	-
Current	8,906,469	26,605,362
	8,906,469	26,605,362

20. PROVISIONS

	2013	2012
	R	R
20.1 Non-current provisions		
Contract risks and onerous contracts	4,934,691	2,620,045
20.2 Current provisions	24,976,075	35,625,523
Contract risks and onerous contracts	-	11,273,339
Product warranty and support	2,654,063	2,093,158
Staff related provisions	22,322,012	22,259,026
	29,910,766	38,245,568



20. PROVISIONS (CONTINUED)

	CONTRACT RISKS AND ONEROUS CONTRACTS	PRODUCT WARRANTY AND SUPPORT	STAFF RELATED PROVISIONS	TOTAL
	R	R	R	R
Reconciliation				
2013				
Balance at the beginning of the period	13 893 384	2 093 158	22 259 026	38 245 568
Realised	(8 958 693)	-	(22 259 026)	(31 217 719)
Charged to the income statement	-	560 905	22 322 012	22 882 917
	4 934 691	2 654 063	22 322 012	29 910 766
2012				
Balance at the beginning of the period	30 513 670	-	21 628 587	52 142 257
Realised	(19 302 062)	-	(21 522 029)	(40 824 091)
Unused amounts reversed	(7 100 036)	-	-	(7 100 036)
Charged to the income statement	9 781 812	2 093 158	22 152 468	34 027 438
	13 893 384	2 093 158	22 259 026	38 245 568

Contract risks and onerous contracts

The provision for onerous contracts comprises expected losses on contracts where the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligation. The provision for contract risk comprises potential risks on contracts that are in progress, based on the technical and financial risk profile of each contract.

Product warranty and support

The provision for product warranty comprises legal and constructive obligations of the company in respect of products delivered that are still under warranty. The provision for product recall comprises the estimated cost that the company will incur in the event of a specific product recall.

Staff related provisions

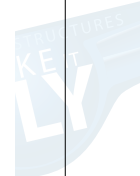
Staff related provisions comprise the following:

Retrenchment costs

During the previous year, as a result of the restructuring within the company, certain employees were identified for retrenchment and retrenchment packages were awarded to them. The process has been completed during the year. The retrenchment provision has been calculated based on the remuneration and the number of years of service of the effected persons, as well as specific terms negotiated with individuals or their labour representatives. The carrying amount included in other provisions is R0 (2012: R293 443).

Variable remuneration

Provision is made for all employees based on achieving certain performance targets. The amounts provided are based on an agreed percentage of employees' remuneration. The carrying amount included in other provisions is R22 322 011 (2012: R21 965 583).



21 . TRADE AND OTHER PAYABLES

	2013	2012
	R	R
Financial liabilities	60,464,448	49,426,430
Trade payables	28,620,908	24,223,343
Trade payables: Inter-group	4,676,564	5,472,904
Other accruals	27,166,976	19,730,183
Non-financial liabilities	-	-
	60,464,448	49,426,430

Trade payables are non-interest bearing and are normally settled between 30 and 90 days. Other payables are also non-interest bearing, and are settled as they fall due in accordance with respective agreements. Interest payable is settled in accordance with the terms (refer note 18).

22. CONTINGENT LIABILITIES

Contract losses

The company hold contracts underwritten by external parties. These contracts have a total approximate value of R1 910 122 942 and estimated future contract loss of approximately R133 629 007 (2012: R263 576 623), the significant decrease in future losses is due to successful renegotiations on the Airbus A400M work packages. The A400M programme now supports a viable and sustainable business case for the company in the long term. The company is reimbursed for some losses on these contracts. To date, all claims have been honoured and therefore no provisions relating to these contract losses have been raised. The company's claim for reimbursement of the loss for the year was R57 249 797 (2012: R118 382 650).



23. NOTES TO THE CASH FLOW STATEMENT

	2013	2012
	R	R
Reconciliation of profit with cash retained from operations		
Net loss before tax	(50,844,442)	(78,471,953)
Adjusted for:	(68,608,657)	(27,809,330)
Loss/(profit) on disposal of property, plant and equipment ¹	1,106,938	(4,711,345)
Depreciation ¹	14,867,790	13,121,793
Remeasurement of derivatives	(167,641)	551,075
Remeasurement of embedded derivatives	(2,708,182)	(5,151,963)
Interest paid (refer note 7)	7,806,452	4,410,429
Interest received (refer note 7)	(2,565,871)	(8,931)
Decrease in provisions	(8,334,802)	(13,896,689)
Impairment reversed on property, plant and equipment ¹	-	(23,559,970)
Impairment raised on property, plant and equipment ¹	-	1,436,271
Gain on redemption of loan from Saab (refer note 5)	(78,613,341)	-
Operating loss before changes in net current assets	(119,453,099)	(106,281,283)
Changes in net current assets:	(6,697,774)	49,259,699
(Increase)/decrease in inventories	(21,603,094)	38,884,634
Decrease/(increase) in receivables	3,867,302	(7,782,140)
Increase in trade and other payables	11,038,018	18,157,205
Cash utilised in operations	(126,150,873)	(57,021,584)
¹ Refer note 4		

24. CAPITAL COMMITMENTS

	2013	2012
	R	R
Approved and contracted for	51,553,701	19,847,837
Plant and machinery	51,533,774	19,847,837
Computer equipment	19,927	-
	51,553,701	19,847,837

There will be no specific financing arrangements made as these will be financed from available funds and interest bearing borrowings. All expenditure will be incurred in the following financial year.



25 NON-CANCELLABLE LEASES

	BUILDINGS	PLANT AND MACHINERY	COMPUTER EQUIPMENT	TOTAL
	R	R	R	R
Operating leases				
The company has certain property, plant and equipment held under operating leases. Some of the lease agreements provide for minimum annual lease payments which are due as follows:				
2013				
Less than one year	12,998,933	661,219	1,015,460	14,675,612
Between one and five years	24,636,176	3,415,961	921,754	28,973,891
More than five years	30,795,220	1,089,323	-	31,884,543
	68,430,329	5,166,503	1,937,214	75,534,046
2012				
Less than one year	13,247,197	741,217	1,173,159	15,161,573
Between one and five years	42,106,013	4,407,351	5,986,172	52,499,536
More than five years	-	3,818,228	-	3,818,228
	55,353,210	8,966,796	7,159,331	71,479,337

26. RELATED PARTIES

Related party transactions are disclosed in terms of the requirements of the relevant standard. Materiality has been considered in the disclosure of these transactions.

Denel Group

Denel SOC Ltd is the controlling shareholder of the company and therefore the ultimate parent for all companies in the group. Related parties to Denel is due to this relationship also related parties to the company.

National Government and state controlled entities

Denel SOC Ltd is fully controlled by its sole shareholder, the Government represented by the Department of Public Enterprises.

The Denel Group operates in an economic environment currently dominated by business entities directly or indirectly owned by the Government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

The list of public entities in the national sphere of Government was provided by the National Treasury.

Key Management Personnel

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the business entity. All individuals who are members of the Denel Executive Committee and the Board of Directors, as well as the business entity CEO's are regarded as key management.

Close family members of key management personnel are considered to be those family members who may influence, or be influenced by key management in their dealings with the entity. There were no material transactions other than the directors' emoluments.

Terms and conditions of transactions with related parties

During the year the company, in the ordinary course of business, entered into various sales and purchase of goods and services with the other related parties of the group. The effect of these transactions is included in the results of the company. These transactions occurred under terms that are no less favourable than those arranged with third parties.



The following transactions were carried out with related parties:

	MAJOR NATIONAL PUBLIC ENTITIES	NATIONAL GOVERNMENT	ASSOCIATED COMPANIES	DENEL GROUP
	R	R	R	R
2013				
Sales of goods	33,672	57,249,797	4,385,580	8,769,444
Services rendered	-	-	-	12,061
Services received	19,787	275	-	44,312,052
Lease payments	1,009	-	-	12,998,933
Interest received	-	-	-	2,496,408
Interest paid	-	-	-	7,806,452
Outstanding balances payable	-	-	41,800	340,913,513
Outstanding balances receivable	-	57,249,797	-	452,361,008
2012				
Purchases of goods	49,350	-	-	-
Sales of goods	23,558	118,782,844	3 868 166	13,081,223
Services rendered	-	-	-	1,076,711
Services received	20,959	8,800	-	42,584,292
Lease payments	960	-	-	13,247,197
Interest paid	-	-	-	4,290,429
Outstanding balances payable	-	-	-	207,223,559
Outstanding balances receivable	-	118,782,844	-	755,241



26. Related parties (continue)

	2013			2012		
	SHORT-TERM EMPLOYEE BENEFITS	POST-EMPLOYEE BENEFITS	TOTAL	SHORT-TERM EMPLOYEE BENEFITS	POST-EMPLOYEE BENEFITS	TOTAL
	R	R	R	R	R	R
Compensation paid to key management personnel						
Ismail Dockrat	3,017,958	193,855	3,211,813	2,781,251	182,911	2,964,162
Christine Slabbert	1,416,582	89,121	1,505,703	1,269,376	83,524	1,352,900
	4,434,540	282,976	4,717,516	4,050,627	266,435	4,317,062

27. FINANCIAL RISK MANAGEMENT

The company is exposed to various financial risks due to the nature and diversity of its activities and the use of various financial instruments. These risks include:

- Credit risk
- Liquidity risk
- Market risk

Information about the company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing these risks are included in this note. The company's management of capital is also discussed. Further quantitative disclosures are included throughout the annual financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has delegated its responsibility to the Audit and Risk Committee, who is responsible for the development and monitoring of the company's risk management policies. The committee meets three times a year and regularly reports to the Board on its activities. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The Audit and Risk Committee is assisted in its oversight role by the internal audit department, who undertakes regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

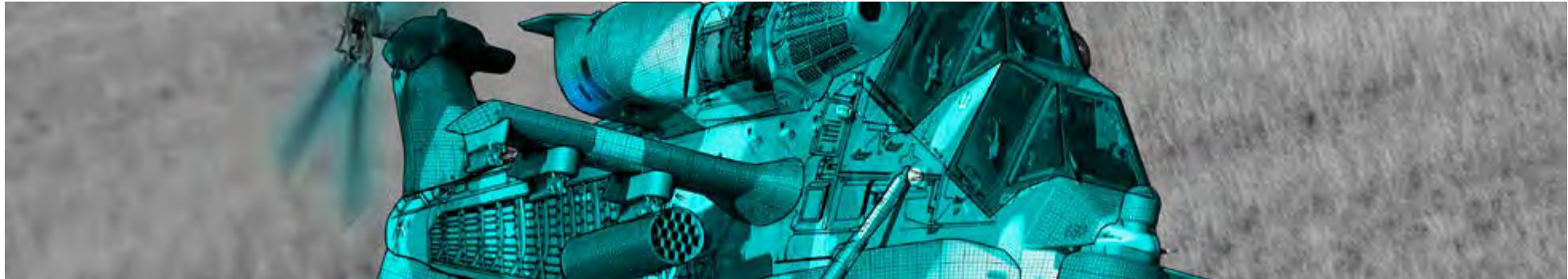
27.1 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the company's receivables from customers (loans receivable, trade and sundry receivables) and its centralised treasury activities (derivative financial instruments and cash and cash equivalents).

Receivables from customers

The Audit and Risk Committee has an established policy for the management of credit risk arising on receivables from customers. Under this policy the creditworthiness of potential and existing customers is assessed prior to contracting with new or existing customers. Management is required to review the following before entering into a contract or submitting a proposal to a potential client:

- The potential client's compliance with statutory and regulatory conditions;
- The political risk of the potential client's country;
- The previous business record that the existing client had with within the company (includes but is not limited to payment history);
- The most recent credit rating of the country that the potential customer operates in, from the Denel Group's Treasury Department. Countries are graded by major international banks and these grading are published on a regular basis. The company uses the international publication, "Institutional Investor" as a basis for its country risk assessments; and
- Whether finance is available to the potential client.



The policy further requires that for specifically identified contracts, the contractual terms must provide for the retention of ownership over goods until full and final payment has been received. Additionally, security for payment must also be contractually stipulated. Security usually takes the form of irrevocable letters of credit, bank guarantees (from first class international banks in acceptable countries)/bonds, promissory notes and credit insurance. In the case of high risk clients who are unable to provide security over future payments, the company may transact with them only on a pre-payment basis.

Overdue amounts are individually assessed and if it is evident that an amount will not be recovered, it is impaired and legal action is instituted to recover the amounts.

Credit exposure and concentration of credit risk

The carrying amount of financial assets represents the maximum credit exposure at the reporting date. The following table represents the company's concentration of risk for all non-derivative financial assets:

	2013			2012		
	DOMESTIC	FOREIGN	TOTAL	DOMESTIC	FOREIGN	TOTAL
	R	R	R	R	R	R
Trade receivables	57,492,584	2,314,854	59,807,438	757,675	30,501,433	31,259,108
Government & related entities	57,249,797	1,333,513	58,583,310	-	30,501,433	30,501,433
Non-government entities	242,787	981,341	1 224,128	757,675	-	757,675
Amount due from customers for contract work						
Government & related entities	57,249,797	-	57,249,797	118,382,650	-	118,382,650
Sundry receivables	7,607,201	-	7,607,201	348,661	-	348,661
Government & related entities	-	-	-	348,661	-	348,661
Non-government entities	7,607,201	-	7,607,201	-	-	-
Trade receivables: Inter-group	375,113	-	375,113	755,241	-	755,241
	122 724 695	2,314,854	125,039,549	120,244,227	30,501,433	150,745,660

27. Financial risk management (continue)

Credit exposure and concentrations of credit risk (continue)

Ageing

The ageing of financial assets at the reporting date is included below. The ageing categories include:

	2013	2012
	R	R
Trade receivables		
Trade receivables - not impaired	59,807,438	31,259,108
Not past due	35,972,933	15,894,712
Past due		
Less than 30 days	21,108,739	5,624,245
30 to 60 days	2,721,754	1,706,488
More than 90 days	4,012	8,033,663
Amount due from customers for contract work		
Not past due, not impaired	57,249,797	118,382,650
Other receivables		
Other receivables - Not past due, not impaired	7,607,201	348,661
Trade receivables: Inter-group		
Not past due, not impaired	375,113	755,241
Trade and other receivables	125,039,549	150,745,660

27.2 Liquidity risk

A centralised group treasury manages the liquidity of the group taking into account assets, liabilities and commitments to ensure there is sufficient cash within the company as a whole. Updated cash flow information and projections of future cash flows are sent to the group treasury on a daily, weekly and monthly basis (depending on the type of funding required). Measures are in place to ensure that the cash flow information received is accurate and complete. The group treasury assist the company with funding when required and manage the surplus funds to the best advantage of the company. In prior years the company received subordinated shareholder's loans. The company's liquidity was improve during the year due to a recapitalisation of the company.



	Contractual undiscounted cash flows				
	Carrying amount	Total cash flows	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years
	R	R	R	R	R
Exposure to liquidity risk					

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

2013

Unsecured borrowings	336,236,949	336,236,949	-	-	336,236,949
Trade and other payables	60,464,448	60,464,448	4,718,364	55,746,084	-
	396,701,397	396,701,397	4,718,364	55,746,084	336,236,949

2012

Unsecured borrowings	174,600,188	174,600,188	-	65,513,706	109,086,482
Trade and other payables	49,426,430	49,426,432	27,123,302	22,303,130	-
Derivative financial liabilities	-	167,641	-	167,641	-
	224,026,618	224,194,261	27,123,302	87,984,477	109,086,482

27.3 Market Risk

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates and commodity prices will affect the company's revenue and operational costs, as well as the value of its holdings of financial instruments. The objective of the company's market risk management policy is to manage and control market risk exposures to minimise the impact of adverse market movements with respect to revenue protection and to optimise the funding of the business operations.

The company is assisted by the centralised group treasury to manage the company's exposure to market risk.

27.4 Interest rate risk

Interest rate risk arises due to adverse movements in domestic and foreign interest rates. The company is primarily exposed to upward interest rate movements on borrowings. There is no other exposure to fair value interest rate risk as all fixed rate financial instruments are measured at amortised cost.

Treasury monitors interest rates on a daily basis and the policy is to maintain short-term cash surpluses at floating rates of interest. Interest rate and funding transactions are governed by the authorised treasury procedures manual.





27. Financial Risk Management (continued)

At the reporting date the interest rate profile of the company's interest bearing financial instruments was as follows:

	2013	2012
	R	R
Variable rate instruments		
Cash and short-term deposits	3,000	7,000
Loans and other receivables	451,985,895	-
Unsecured loan from shareholders	-	65,513,706
Fair value sensitivity analysis for fixed rate instruments		
The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.		
Cash flow sensitivity analysis for variable rate instruments		
A change of 50 basis points in interest rates at the reporting date would have increased/ decreased profit or loss by the amounts shown below. This assumes that all other variables remain constant. The impact on the company's equity is equal to the impact on the profit or loss.		
Impact: change in interest rate	2,259,944	(327,534)
Net effect on profit or loss is equal but opposite for a 50 basis points increase on the financial instruments listed above.		

27.5 Currency risk

Currency risk arises from the movement in foreign exchange rates. The company's currency exposures result primarily from the import of raw materials, foreign sales of goods and services, as well as foreign bank account holdings. No speculating in foreign currency is allowed within the company.

Bank accounts of foreign offices are not hedged. Proceeds received from export contracts that would be used to pay foreign suppliers on the same contract are natural hedged by keeping funds in the CFC accounts.

	2013		2012	
	US Dollar	Euro	US Dollar	Euro
	(USD)	(EUR)	(USD)	(EUR)
The company's exposure to currency risk was as follows based on the notional amounts:				
Assets				
Trade receivables	729,367	11,336,562	543,214	543,214
Embedded derivatives (export sales)	124,842	-	3,297,440	-
Net exposure	854,209	11,336,562	3,840,654	543,214

	2013		2012	
	US Dollar	Euro	US Dollar	Euro
	(USD)	(EUR)	(USD)	(EUR)
	R	R	R	R
A 5.0% strengthening of the Rand against the following currencies at 31 March would have increased/(decreased) profit or loss by the following amounts:				
Impact: change in foreign exchange rate	257,888	6,712,492	1,097,854	284,185

A 5.0% weakening of the Rand against the above currencies at 31 March would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. The impact on the company's equity is equal to the impact on the profit or loss.



27. Financial Risk Management (continued)

	FOREIGN CURRENCY NOTIONAL AMOUNT			LOCAL CURRENCY AMOUNT	FAIR VALUE
	1 YEAR	2-5 YEARS	TOTAL	R	R
Foreign currency derivatives					
The fair value of foreign currency derivatives are disclosed in note 14.					
2013					
Embedded derivatives					
Export transactions					
US Dollar (USD)	124,842	-	124,842	1,177,797	1,393,790
2012					
Foreign exchange contracts					
Export transactions					
US Dollar (USD)	637,517	-	637,517	5,132,011	4,755,878
Euro (EUR)	-	-	-	-	543,214
				5,132,011	5,299,092
Import transactions					
Euro (EUR)	8,617	-	8,617	89,958	89,398
Embedded derivatives					
Export transactions					
US Dollar (USD)	3,297,440	-	3,297,440	24,862,698	22,370,509





	NOTE	LOANS AND RECEIVABLES	LIABILITIES AT AMORTISED COST	HELD FOR TRADING	TOTAL CARRYING VALUE	FAIR VALUE
		R	R	R	R	R
27.6 Fair value of financial assets and liabilities						
The categorisation of each class of financial asset and liability, including their fair values, are included below:						
2013						
Financial assets						
Trade and other receivables	13	125,039,549			125,039,549	125,039,549
Derivative financial assets	14.1			215 993	215,993	215,993
Cash and cash equivalents	15.1	451, 988,895			451,988,895	451,988,895
Financial liabilities						
Interest bearing borrowings	18		(336,236,949)		(336,236,949)	(336,236,949)
Trade and other payables	21		(60,464,448)		(60,464,448)	(60,464,448)
Derivative financial liabilities	14.2			-	-	-
		577,028,444	(396,701,397)	215,993	180,543,040	180,543,040
2012						
Financial assets						
Trade and other receivables	13	150,745,660			150 745 660	150 745 660
Derivative financial assets	14.1			-	-	-
Cash and cash equivalents	15.1	7,000			7 000	7 000
Financial liabilities						
Interest bearing borrowings	18		(174,600,188)		(174,600,188)	(174,600,188)
Trade and other payables	21		(49,426,430)		(49,426,430)	(49,426,430)
Derivative financial liabilities	14.2			(2,659,830)	(2,659,830)	(2,659,830)
		150,752,660	(224,026,618)	(2,659,830)	(75,933,788)	(75,933,788)

Determination of fair values

Non-derivative financial instruments

Quoted market prices at reporting date have been used to determine the fair value of loan and receivables and interest bearing borrowings. Where there is no quoted market price a valuation technique, most commonly discounted cash flows, was used. For trade receivables and payables the fair value was determined using discounted cash flow method at market related interest rate. All other financial assets and liabilities carrying amount approximates fair value.

Derivative financial instruments

The fair value of derivative financial instruments is determined using accepted valuation techniques and incorporating market quoted prices.

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Currently the only financial assets and liabilities that are measured at fair value are the financial assets and liabilities disclosed in note 13 and falls within level 2 of the hierarchy. During the year there were no transfers between any of the levels of fair value measurements.



28. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base to maintain stakeholder confidence and to sustain future development of the business. The company considers its capital to comprise of total equity. The company may adjust its capital structure by way of issuing new shares and is dependent on its shareholders for additional capital, as required. The company manages its capital structure in light of changes in economic conditions and the Board of Directors monitors the capital adequacy, solvency and liquidity of the company on a continuous basis.

The capital resources of the company has been depleted during the past years as a result of loss making contracts and inadequate working capital to optimise the labour and capital intensive operations throughout the company. The shareholder, Denel SOC Ltd, has inject R900 million into the company during the year. The company utilised a portion of this additional capital to settle the loan from Saab AB (a former shareholder) and to repay R200 million of non-current borrowings from Denel SOC Ltd.

The company further strives to negotiate advance payments from clients in business transactions that require high investment in working capital over long delivery lead times.

There were no changes in the company's approach to capital management during the year.

The company is not subject to externally imposed capital requirements.

29. POST-RETIREMENT OBLIGATIONS

The company has no post retirement obligations.

The company is a participating employer of the Denel Retirement Fund. This fund was established by Denel SOC Ltd as a retirement fund scheme that covers all qualifying employees of the Denel Group which include employees of the company. This fund is a defined contribution plan and is governed by the Pension Funds Act of 1956 (Act No. 24 of 1956). The contributions are charged to profit or loss as it is incurred.

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

Value added is a measure of the wealth that the company has created in its operations by adding value to the cost of materials and services purchased.

The statement shows how wealth was created and how it was shared amongst employees, the providers of funds and the capital re-invested in the company for continuation and expansion of operations.

	2013		2012	
	R	%	R	%
Revenue	261,524,452		260,143,903	
Less: Cost of materials and services purchased	(206,638,385)		(170,099,303)	
Value added	54,886,067		90,044,600	
Add:				
Finance income	2,565,871		8,931	
Other income	83,617,750		11,066,917	
Wealth created	141,069,688		101,120,448	
Distributed as follows:				
Employees: Salaries and relevant costs	168,047,147	119.1	160,825,653	159.1
Providers of capital: Interest on borrowings	7,806,452	5.5	4,410,429	4.4
Government: Tax (refer note A)	1,192,741	0.8	1,234,526	1.2
Re-invested in the company for continuation and expansion	(35,976,652)	(25.5)	(65,350,160)	(64.6)
Depreciation (refer note 4)	14,867,790	10.5	13,121,793	13.0
Accumulated loss	(50,844,442)	(36.0)	(78,471,953)	(77.6)
Wealth distributed	141,069,688	100	101,120,448	100
Note A				
Tax				
UIF contributions	607,012		561,309	
Net skills development levy	585,729		673,217	
	1,192,741		1,234,526	
The total amount reflected above excludes the following amounts collected by the company on behalf of Government:				
Net VAT	(29,476,585)		(23,274,184)	
Charged on sales	3,318,359		4,429,923	
Levied on purchases	(32,794,944)		(27,704,107)	
Employees' taxation	36,736,564		33,185,052	
UIF contributions	607,012		561,309	
	7,866,991		10,472,177	



CONTACT INFORMATION

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INFORMATION SERVICES

Design, Layout and Photography by aMUSEink - advertising agency



GLOSSARY

A

AAD	Africa Aerospace and Defense
AC	Actual
ACSA	Airports Company South Africa
AGM	Annual General Meeting
AMD	South African Aerospace, Maritime and Defense Industries Association

B

BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BMT	Business Management Team
Board	Board of Directors
BRICS	Brazil, Russia, India, China and South Africa
Bud	Budget

C

CA (SA)	Chartered Accountant (South Africa)
CAF	Chief of Air Force (South Africa)
CCM	Continuous Control Monitoring
CEO	Chief Executive Officer
CFC	Controlled Foreign Currency
CFO	Chief Financial Officer
CM	Change Management
COSO	Committee of Sponsoring Organisations
CIPS	Chartered Institute of Purchasing and Supply
CRM	Customer Relationship Management

CSIR	Council for Scientific and Industrial Research
CV	Curriculum Vitae

D

DAv	Denel Aviation
DAe	Denel Aerostructures SOC Ltd
DCO	Denel Corporate Office
DOD	Department of Defense
DPE	Department of Public Enterprises
DPS	Denel Personnel Solutions SOC Ltd
DST	Department of Science and Technology
Dti	Department of Trade and Industry
DTA	Denel Technical Academy

E

EASA	European Aviation Safety Agency
EBIT	Earnings before Interest and taxation
EME	Exempt Micro Enterprises
EMT	Executive Management Team
EUR	Euro (Currency unit)
EXCO	Executive Committee
Excl	Excluding

F

FAL	Final Assembly Line
FIFO	First in First Out

G

GBP	British sterling pound
GCEO	Group Chief Executive Officer
GDP	Gross domestic product
GHG	Green House Gas
GRI	Global Reporting Initiative

H

HR	Human Resources
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I

IAS	International Accounting Standards
IASB	The International Accounting Standards Board
ICAS	Independent Counselling and Advisory Services
IDC	Industrial Development Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Inc	Incorporated
IPAP	Industrial Policy Action Plan
ISO	International Standards Organisation
IT	Information Technology

K

KPI	Key Performance Indicator
-----	---------------------------

L

LUH	Light Utility Helicopter
Ltd	Limited
LTIFR	Lost Time Injury Frequency Rates

M

M	Million
MLGU	Main Landing Gear Unit
MOI	Memorandum of Incorporation
MW	Mega Watt
MRO	Maintenance Repair Overhaul

N

NEMA	National Environmental Management Act
NCACA	National Conventional Arms Control Act
NCACC	National Conventional Arms Control Committee
NGO	Non Governmental Organisation
NGP	New Growth Path
NIPF	National Industrial Policy Framework
NT	National Treasury
NUMSA	National Union of Metal Workers of South Africa

O

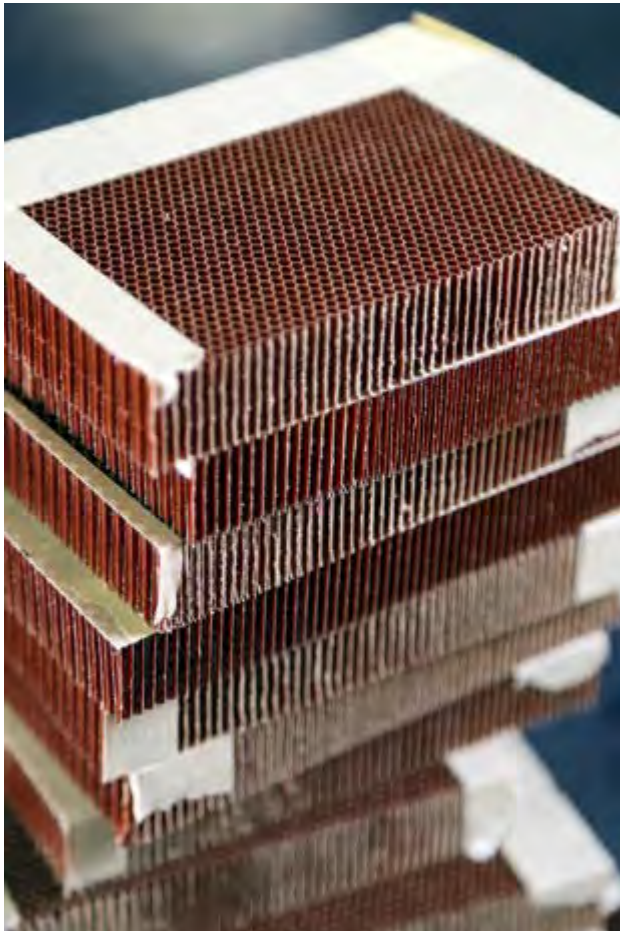
OEMs	Original Equipment Manufacturers
OHS	Occupational Health and Safety
OHSAS	Occupational Health & Safety Advisory Services
OMT	Operational Management Team

OSHA	Occupational Safety and Health Administration
P	
PA	Personnel Assistant
PAA	Public Audit Act
PDP	Personal Development Plan
PFMA	Public Finance Management Act, no.1 of 1999
PSA	Product Supply Agreement
(PTY)Ltd	Proprietary Limited
PPPFA	Preferential Procurement Policy Framework Act
Q	
QRS	Quality Requirements Sheet
R	
Rand	South African Rand
RCCP	Rough Cut Capacity Planning
R & D	Research and Development
Rm	Rand Million
RF	Rear Fuselage
RFQ	Request for Quotes
RSS	Ribs, Spars and Sword
S	
SA	South Africa
SAA	South African Airways
SABS	South African Bureau of Standards
SAM	Social Accounting Matrix

SANCA	South African National Council on Alcoholism & Drug Dependence
SANDF	South African National Defence Force
SAPS	South African Police Services
SBL	School of Business Leadership (UNISA)
SDP	Sector Development Plan
SHE	Safety, Health and Environment
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprises
SOC	State Owned Company
SRM	Structural Repair Manual
T	
TETA	Transport Education Training Authority
TKB	Trisano Ka Bato Training Consultants
TS	Top Shells
TMA	Turbomeca Africa (Pty)Ltd
U	
UASA	United Association of South Africa
UAV	Unmanned Aerial Vehicle
UNISA	University of South Africa
USD	United States Dollar (Currency unit)
V	
VAT	Value Added Tax
W	
WFF	Wing to Fuselage Fairing







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