
DR Tambo International Airport
VISA
Essential fan
A13
Essential fan gear
for every game


A12
OUTH AFRICAN

CHAIRMAN'S REVIEW

Franklin Sonn - Chairman

The Group's ability to remain focused and sustain remarkable financial performance, whilst maintaining an excellent operational performance in an extremely challenging environment, continues to differentiate the Group from its global peers.

Sport has long been an essential component of South Africa's ethos. In preparing for the upcoming 2010 FIFA World Cup, the nation has pulled together in support of the 2009 FIFA Confederations Cup, IPL Twenty20 Cricket and the British and Irish Lions rugby tour.

The country has hosted many other prestigious sporting and political events such as the cricket and rugby World Cups, as well as the World Summit on Sustainable Development. This is tremendous for South Africa as we continually seek to position ourselves as a premier tourism destination. With around 450 000 international arrivals expected for the 2010 FIFA World Cup, ACSA stands to benefit from increased traffic. The expected increased traffic activity, much-needed in the harsh economic times, has provided a focal point for completion of infrastructural expansion and the provision of world-class service to airport users.

I wish to echo the sentiment expressed by our Cabinet in congratulating the management team of ACSA for the successful upgrade of the country's principal airports. In just 16 years, ACSA has succeeded in a soon-to-be-completed metamorphosis from the airports of the past to the airports of today and the future. Demonstrating this, and unparalleled anywhere in the world, will be a complete suite of concurrently completed, modern airports, including a greenfield, state-of-the-art, international airport at La Mercy in KwaZulu-Natal.

The period under review has seen mostly negative growth on a global front. While South Africa has not been as severely affected as many countries, especially in the financial services sector, the economy as a whole has declined.

This has been directly reflected in a reduction of 7,7% in overall passenger traffic, against an increase of 10,6% in 2008. Domestic traffic has been worst affected, with a 10,4% decline. It is encouraging to note that the growth in revenue from non-aviation sources (now at 54% of total income) has softened the impact of the decline in aviation income growth.

The cushioning of the impact of the economic downturn on the Group, among other strategic initiatives, could also be attributed to the government's generally orthodox economic policy approach. This policy generated an environment conducive for businesses to take advantage of the huge opportunities during the period of economic boom. It is the same economic policy approach that has softened the impact of the current economic recession on the aviation-related industry. In addition, infrastructure investment countrywide will stimulate the acceleration of the much needed economic recovery.

Notwithstanding the economic slowdown, the solid financial performance achieved during the period under review is a clear demonstration of ACSA's ability to develop and efficiently manage world-class airports. I have no doubt that the year ahead will justify this confidence and bring great satisfaction to all those involved in the Group and its developments.

Partnerships will always play a vital role in the complex provision of services to travellers. Many of these are immediately visible, such as car hire operators and parking, retail outlets, restaurants, banks, advertising and hotels. ACSA continues to nurture and develop these partnerships and the success of this programme is reflected in the past year's 19% growth in revenue.

We can expect to see continued strong growth in this area of the business, especially through opening of new stores in the coming year when construction is completed at Cape Town International Airport, and in the following year at La Mercy.

Our strategic partners, namely the airlines, ground handling companies, and various government agencies, notably immigration and customs, to name but a few, are key to our operational success. The airport experience for passengers has improved over the years primarily because our partners have come along with us on the journey of continuously intensifying our efforts to improve customer service.

Therefore, let me take this opportunity to congratulate and thank the staff of ACSA and all stakeholders at Cape Town, Port Elizabeth international airports and George Airport for making the country proud in the recent ACI-ASQ service standards rankings. These airports won the top three Best Airport in Africa awards.

Not as visible, but of crucial importance to the safety of all airport users, are the partnerships that provide safety and security services. These include Air Traffic and Navigation Services (ATNS) and the South African Weather Service (SAWS), without which no flights could take place safely. Complementing ACSA's own safety and security departments is a host of external services, ranging from the South African Police Service to private and public healthcare providers, municipal fire and emergency services and many others.

Two organisations providing services and benefiting as recipients of ACSA's corporate social investment programme are the National Sea Rescue Institute (NSRI) and the SA Red Cross Air Mercy Service (AMS). AMS operates air ambulance and rescue helicopters from a number of ACSA's airports, as well as a flying doctor and health outreach service, flying health care professionals to remote areas.

The Group remains committed to supporting B-BBEE, based upon the Codes of Good Practice. In this regard, the B-BBEE spending increased to 55% during the year under review.

Serving as Chairman of ACSA has been an enriching experience for me and this is particularly so through the continued interaction with an experienced and effective management team, so competently led by Monhla Hlahla, our Managing Director.

To my colleagues on the Board, heartfelt appreciation for your commitment in executing the oversight role you play and the considered guidance provided to the management team. The oversight role is particularly critical during difficult economic times and I wish to recognise and thank you for the diligent manner in which you discharged your responsibilities.

Finally, I would like to thank Minister Jeff Radebe for his support and wish him success in his new ministry of Justice and Constitutional Development. We welcome Mr Sibusiso Ndebele as our new Minister of Transport and look forward to working with him for the benefit of ACSA and our stakeholders.

FA Sonn
Chairman

MANAGING DIRECTOR'S REVIEW

Monhla Hlahla - Managing Director

We take pride in the phenomenal progress that has been made towards the completion of expansion developments at all our airports.

The period under review, which ended 31 March 2009, was a testing one as a result of difficult economic conditions. However, the mood within Airports Company South Africa (ACSA) is one of accomplishment and quiet buoyancy. Despite the effects of the global economic downturn on capital costs and the negative growth in passenger and aircraft movement numbers, ACSA succeeded in achieving a good set of results.

Spirits are high at ACSA because of our contribution towards economic growth through infrastructure provision and the major role we play on the country's behalf during sporting events such as the IPL Twenty20 Cricket, the British and Irish Lions rugby tour, the 2009 FIFA Confederations Cup, and, in particular, the upcoming 2010 FIFA World Cup. We regard it as a contribution towards facilitating tourism, which in turn creates jobs and business opportunities.

After a prolonged period of economic growth, the global perspective has become one of economic gloom, where entire industries have sought and received enormous government bailouts. South Africa has fared better than most countries, but has not escaped unscathed.

It is against this background that we take great pride in reporting on a year of strong growth, with revenue increasing to R3,2 billion, a 13% increase over 2008's R2,8 billion.

Despite an overall decline in passenger traffic of 7,7% from the previous year, and aircraft landings by 3,8%, aeronautical income increased by 6% to just over R1,4 billion. Of particular interest in our results was the success in growing our non-aeronautical income compared to the more traditional and regulated total revenue from aircraft landings and parking, and passenger service charges.

The focus on growing non-aeronautical income is generating gratifying results. This is clearly demonstrated by its growth of 20% to R1,7 billion (R1,4 billion in 2008). It now constitutes 54% of our income and is generated through retail outlets, advertising, car rental companies, parking, hotels, property leases and other business opportunities. These are the associated, or peripheral, business opportunities that allow ACSA to exercise entrepreneurial skills.

The attraction of this sector of our business is that it is limited only by creativity and opportunity. Upington may be considered a far-flung outpost of our network, but the inquisitive seeking of opportunities recognised the potential presented by 'hot, dry and high' conditions and the medium- to long-term 'parking' of temporarily redundant aircraft, which has generated a new income stream for the airport. It is incumbent on management in any determinedly successful company to seek improved and alternative income. Hence, ACSA encourages identification and development of non-aeronautical business opportunities.

INFRASTRUCTURAL DEVELOPMENT

The 2010 FIFA World Cup has inevitably become a yardstick against which almost every infrastructural development in South Africa is measured. This is particularly relevant to stadiums, transport and hospitality. Without any doubt, the transport spotlight is focused on the ability of ACSA to ensure the readiness of our airports to meet the projected traffic demands of the tournament.

Whilst ACSA has factored 2010 requirements into development plans, it is as a temporary peak, rather than an ultimate objective. It is a point in time at which most infrastructural programmes at our airports will be completed at the same time to enable the world's air travellers to take home an understanding of our ability to provide world-class airport facilities.

Many of the completed expansion developments bring immediately apparent benefits to passengers. O.R. Tambo International provides pleasingly visible examples of significant progress through greatly improved and extended parking infrastructure. The Central Terminal Building development has created a seamless environment, where all facilities are within one building. Other sure signs are the additional retail facilities, a new 'meeters and greeters' area at the international arrivals atrium and 75 additional check-in desks at the enlarged departures level. The airport is now fully compliant with requirements to accommodate the Airbus A380 aircraft, the world's largest commercial airliner.

Furthermore, progress at Durban's R6,8 billion new international airport at La Mercy, in KwaZulu-Natal Province, is on schedule for completion ahead of the 2010 FIFA World Cup. Completion of major construction is due for December 2009, commencing by March 2010 and operational in May 2010.

Cape Town International is on schedule to commission the main phase of the new Central Terminal Building by the end of October 2009. The first 400 bays of the new multi-storey parkade became available for use in December 2008, with the remaining 1 600 bays being phased in until completion in December 2009.

Port Elizabeth, Bloemfontein and Upington international airports, as well as Kimberley and East London airports, are all meeting development and upgrade targets, with passengers already experiencing and benefiting from greatly improved facilities.

REGULATORY FRAMEWORK

The period under review marked the second year of the current Permission Cycle, ending in 2012. The regulatory framework has introduced risk to the future infrastructure investment programme and the long-term sustainability of ACSA. However, we take confidence in the fact that the current Permission has been re-opened and that we are submitting a new tariff application for the 2010–2015 cycle. This new Permission application will include the pre-funded capital investments of the current Permission into the Regulated Asset Base, with an expected resultant increase in passenger service charges and airline tariffs. This is dealt with more substantively in the Finance Director's report.

SERVICE LEVEL

ACSA continually strives to improve its service to travellers and business partners and has developed a quality management system in collaboration with airlines and other airport service providers. While construction and consequent congestion have introduced abnormal factors, the new, automated system has provided regular feedback to ACSA management and service providers, allowing issues to be addressed rapidly and effectively.

I am pleased that the implementation of the Collaborative Decision Making at O.R. Tambo International through the Airport Management Centre has been completed. As further outlined in the Operations Division section in this report, this involved getting buy-in from all stakeholders to manage all activities in the airport environment in real-time. They form a community that takes responsibility for the functioning of the airport, thereby improving the passenger experience.

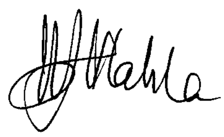
CORPORATE SOCIAL INVESTMENT

During the period under review, ACSA was able to distribute R24 million through its Corporate Social Investment programme. This does not include expenditure on the Enterprise Development programmes.

The focus has remained on supporting people with disabilities, the environment and communities around our airports. Our social and economic development agenda will receive added impetus to address poverty elimination, job creation and enterprise development.

ACKNOWLEDGEMENTS

I would like to express my sincere gratitude for the unstinting contributions to our ongoing success from the broad spectrum of the ACSA family. This is so ably supported through our management structures, right through to our committed Board of Directors. No organisation can succeed alone, and it is with appreciation that I recognise the contributions of our business partners. In this regard, I wish to congratulate Patrick Dlamini, the newly appointed Chief Executive Officer of the Air Traffic and Navigation Services. I wish Patrick, who is no stranger to the aviation industry, well in his new role.



MW Hlahla
Managing Director

FINANCE DIRECTOR'S REVIEW

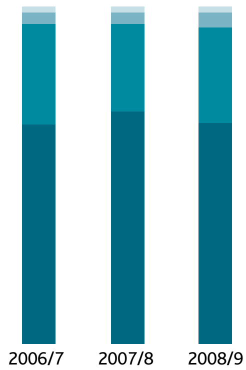
The year under review, which marks the second year of the 2008–2012 Permission cycle, was characterised by substantial capital expenditure (currently estimated at R17 billion) and a challenging economic regulatory framework that required the Group to pre-fund the capital expenditure. The current capital expenditure is the highest since ACSA's formation. At the same time, the Group has been impacted by the global economic downturn, which has resulted in contraction of the economy, inflationary pressures, reduced liquidity and an increase in borrowing costs.

Priscillah Mabelane - Finance Director

The Group continued to deliver robust growth, with total revenues increasing by 13% to R3,2 billion, resulting in a positive increase in earnings before interest, tax, depreciation and amortisation (EBITDA) of 7% to R1,74 billion.

Following the economic downturn, the Group experienced a significant decline in passenger numbers, for the first time in its history. The overall reduction of 7,7% (2008: 10,6% increase) was primarily on the back of a 10,4% drop in domestic traffic, which contributes 70% of total passenger traffic. International traffic, which yields higher returns, declined by 0.74% (2008: 9.9% increase). Similarly, aircraft landings decreased by 3.8% (2008: 7.5% increase).

Passenger analysis



DEPARTING PASSENGERS

	2006/7	2007/8	**2008/9**
Unscheduled	98 624	93 574	**90 161**
Regional	407 353	440 160	**443 657**
International	4 116 031	4 523 284	**4 491 602**
Domestic	11 838 167	13 142 013	**11 771 190**

A detailed analysis of the traffic is included in the Aviation Services section of this report.

Financial performance analysis

The Group continued to maintain its exceptional growth in revenues, resulting in an increase in EBITDA. Whilst earnings of the Group declined, mainly due to interest costs associated with the pre-funded capital investment of the Company, they remained solid at R664 million.

REVENUE

Despite the impact of the economic downturn outlined above, the Group revenues increased by 13% to R3,2 billion (2008: R2,8 billion). The increase in revenue is attributable to an increase of 6% in aeronautical and 20% in non-aeronautical revenues, which contributed 54% to Group revenue.

R'000
REVENUE SPLIT 2008/9

Other revenue	115 019
Aeronautical revenue	1 452 067
Commercial revenue	1 598 996

Aeronautical revenue

Aeronautical revenue is generated through the levy of both passenger service charge and airline charges for aircraft landings and parking. The domestic passenger service charge for the year under review increased by R4 to R36 per departing passenger (2008: R32), while the average yield for domestic aircraft landings was R1 558 (2008: R1 393).

R'000
PASSENGER
REVENUE SPLIT 2008/9

Unscheduled	4 747
Regional	32 089
Domestic	422 994
International	441 071

R'000
LANDING
REVENUE SPLIT 2008/9

Unscheduled	31 739
Regional	12 621
Domestic	199 611
International	284 223

Aeronautical revenue increased by 6% to R1 452 million (2008: R1 368 million) despite the overall reduction in traffic. The increase is attributable to higher yields associated with international traffic and increase in tariffs.

Non-aeronautical revenue

Non-aeronautical revenues are mainly generated through commercially related activities comprising retail concessions (including duty-free stores, retail stores and advertising), car rental concessions, parking, property management and hotel operations.

In line with previous years, the Group continues to create strong value through maximisation of non-regulated activities. As a result, despite the contraction in global spending and reduction in traffic, non-aeronautical revenues increased by 20% to R1,7 billion (2008: R1,4 billion). The strong growth in non-aeronautical revenues was attributable to increases of 29% in core retail income and 28% in property income.

The increase in core retail income of 29% to R562 million (2008: R434 million) was largely as a result of improved service offerings and increased yields from the additional capacity created at O.R. Tambo International. Depreciation of the Rand and intensified marketing of retail activities also contributed positively to retail revenues.

Property revenues were resilient notwithstanding contraction of the domestic property market, resulting in a strong increase of 28% to R476 million (2008: R372 million), mainly as a result of escalations and optimisation of high-yield property portfolios.

Parking revenue increased by 5% to R304 million (2008: R289 million), while car rental revenue increased marginally by 1.5% to R128 million (2008: R126 million). The marginal increase in parking and car rental revenues was mainly related to annual escalations and was adversely impacted by the decline in passenger traffic.

Full details of the non-aeronautical revenues are outlined in the Commercial Services Division section in this report.

EBITDA

In line with the increase in revenues, EBITDA for the Group increased by 7% to R1,74 billion (2008: R1,62 billion) while the EBITDA margin declined to 55% from 58% in 2008. The reduction in EBITDA margin was mostly attributable to the increase in operating costs being higher than the growth in revenues.

OPERATIONAL EXPENSES

Operating expenses, including depreciation and non-recurring expenses, increased by 25.4% to R2,2 billion (2008: R1,75 billion). The Group continued to manage discretionary expenses and processes are constantly reviewed to reduce costs and to enhance efficiency.

The increase in the Group's operating costs was as a result of inflationary pressures, additional capacity created, intensified continuous improvement in customer service and security, and strengthening of the ACSA brand.

Depreciation for the Group increased significantly by 31% to R749 million (2008: R572 million) and was mainly the result of additional infrastructure. This included the Central Terminal Building and the final phase of the International Pier at O.R. Tambo and accelerated depreciation for Durban International Airport and the old terminal at Cape Town International.

NET FINANCE COSTS

Net finance costs of the Group increased by 78% to R379 million (2008: R213 million) after capitalisation of borrowing costs of R568 million. The increase in net finance costs related mostly to the increase in borrowing costs to support the infrastructure expansion programme.

The weighted average cost of borrowing increased from 10% to 11,55%. This was largely due to the reduction in liquidity in the domestic capital markets, particularly for long-dated paper, resulting in substantial widening of the Group's credit spreads. In addition, the increase in interest rates during the first six months of the financial year under review negatively impacted the cost of funding.

The inability of banks to raise capital, coupled with the increase in state-owned entities' infrastructure spending, resulted in an increase in commitment fees required for the Group's credit lines.

The Group, in managing the liquidity and the interest rate risks, diversified the sources of funding and consequently this contributed positively towards borrowing costs.

EBITDA interest coverage dropped from 3.4 times to 1.8 times, mainly because of the increase in leverage. In managing this, the Group identified and unlocked commercial activities to improve the short-term cash position, while ensuring that it continued to meet its operational requirements from internally generated funds. Furthermore, the Group expects the credit metrics to improve after the inclusion of the pre-funded capital expenditure investment is included in the Regulated Asset Base for the new Permission 2010–2015, as outlined below.

EARNINGS

Earnings before tax declined to R633 million (2008: R1,113 billion) mainly due to the increase in depreciation and interest costs. Further, last year's earnings included an increase of R251 million in fair value of investment properties. The value increased marginally during the year under review as a result of the downturn in the property market.

TAXATION

The Group's effective tax rate increased marginally to 30% (2008: 29%) while the Group's tax charge reduced from R324 million to R189 million in line with the decline in earnings. The difference in the Group's statutory tax rate and effective tax rate of 1.9% was largely as a result of non-deductible expenses.

The South African Revenue Services is reviewing the 2004-2007 tax years of assessment and as a result the Group has provided for the potential tax exposure. Notwithstanding, discussions are still under way to reduce the exposure.

FINANCIAL POSITION

Change in accounting policy

A significant portion of the Group's assets relates to properties that are leased to generate rental revenue. Over the years, the Group has invested in profitable and sustainable property business through low-risk but high-yielding property developments. In order to improve disclosure for fair presentation, the Group changed the policy for the accounting of investment properties from historic cost to fair value. The financial effect of the change in accounting policy was an increase in the value of investment assets by R1,23 billion and a resultant increase in equity of R912 million after recognition of deferred tax liability of R313 million.

NON-CURRENT ASSETS

The Group's total non-current assets increased by 40% to R23,6 billion (2008: R16,9 billion). These include capital expenditure of R5,997 billion (2008: R5,2 billion) to provide capacity for the 2010 FIFA World Cup and beyond. The increase in capital expenditure was funded by borrowings of R5,2 billion with the balance funded by internally generated funds.

Full details of the capital expenditure programme are included in the Aviation Services section of this report.

CURRENT ASSETS

The Group's trade and other receivables, net of impairment, increased marginally from R985 million as at 31 March 2008 to R1 billion. The increase in trade receivables of R341 million (2008: R278 million) is mainly attributable to organic growth in the business. The Group continues to focus on management of credit risks, with debtors days maintained at 32 days despite the demise of some of the Group's customers.

The increase in the Group's cash balance from R112 million in 2008 to R989 million is part of the Group's financing strategy to hold sufficient cash and committed credit lines to cover 12-months' funding requirements. The positive cash was utilised immediately after year end to settle short-term borrowings.

Other receivables of the Group included a R316 million VAT refund related to infrastructure investment. The short-term portion, in respect of the prepayment for the greenfield airport at La Mercy, reduced from R196 million to R32 million as at 31 March 2009.

INTEREST-BEARING LIABILITIES

The Group's long-term interest-bearing liabilities increased by 241% to R9,1 billion (2008: R2,7 billion) whilst short-term interest borrowings decreased from R3,2 billion in 2008 to R2,8 billion. The total increase in borrowings was in line with the Group's infrastructure investment. The Group's financial position remained robust with the gearing ratio at 58% (2008: 44%), as measured by net debt to capitalisation, still within the Group's target of 65%.

The Group improved the profile of its borrowings to match the long-term useful life of the underlying funded assets. As at 31 March 2009, the long-term borrowings constituted 76% (2008: 20%) of the Group's total borrowings.

CURRENT LIABILITIES

The Group's current liabilities, excluding short-term interest borrowings, increased by 4% to R5,5 billion (2008: R5,3 billion) and include trade and other payables of R2,1 billion and reclassified deferred revenue of R512 million, as outlined above. The trade and other payables increased from R2 billion in 2008 to R2,1 billion, primarily as a result of accruals associated with the infrastructure investment.

CASH FLOW ANALYSIS

The Group generated cash from operations of R1,6 billion (2008: R1,2 billion) as a result of the increase in revenues. The cash generated was used to pay taxation of R273 million (2008: R297 million) and interest of R915 million (2008: R476 million), with the balance of R612 million (2008: R927 million) used to partly finance capital expenditure.

DIVIDEND

Similarly to the previous year, the Board reviewed the dividend policy taking into account the future capital expenditure profile for the year ending March 2010, expected earnings over the current Permission and the requirements to maintain an optimal capital structure.

Following from this review, no dividend was proposed for the year under review.

CREDIT RATING

Fitch Ratings reviewed the credit rating of the Group in February 2009 and following from this the short-term national rating was reaffirmed, while the long-term national rating was downgraded as follows:

Fitch Ratings

Security Class	Current rating	Previous rating	Date reviewed
National Currency			
Senior Unsecured	AA-(zaf)	AA(zaf)	February 2009
Short-term	F1+(zaf)	F1+(zaf)	February 2009
Rating Outlook	Stable	Stable	

The downgrade in the long-term national rating to AA- (minus) (zaf) from AA (zaf) has not materially affected the costs of borrowing during the year under review.

FINANCIAL RISK MANAGEMENT

The financial risks of the Group were managed in line with the Board approved financial risks management framework. The primary objective of the policy framework is to manage the financial risks, which include liquidity risks, interest rate risks, foreign currency risks and credit risks, in a structured and systematic manner.

Liquidity risk

The global liquidity constraints and widened credit spreads were an ongoing concern for the Group as economic and financial environments continued to deteriorate. The Board approved a funding plan that focused on managing liquidity risk whilst minimising borrowing costs.

The objective of the funding plan is to ensure continuity of funding and flexibility, by spreading debt maturities to manage refinancing risks.

The Group successfully diversified its sources of funding during the year under review. As a result, additional funding of R6,8 billion of term loans was raised from debt capital markets including banks and development finance institutions.

Further, the Group successfully secured banking facilities of R9 billion, of which R4 billion was utilised as at 31 March 2009 and included R2 billion which matures after more than 12 years. As outlined above, the Group achieved further improvement in its funding profile by reducing the short-term debt to 24% of the total borrowings as at 31 March 2009. The Group is not exposed to excessive refinancing risk in any one year.

The Group has developed an issuing calendar for future funding in the domestic capital markets. Market makers have been appointed under the DMTN programme to facilitate planned monthly auctions in the debt capital market across its listed bonds to enhance transparency and price discovery.

Interest rate risk

The Group is exposed to interest rate risk emanating from the funding programme and CPI on the aeronautical tariffs. Changes in the CPI index have an impact on revenues earned.

In managing interest rate risk, the Group maintained a mix of fixed to floating rate debt within the Board-approved parameters. As at 31 March 2009, 51% of the Group's net debt, after hedging, was fixed. The floating debt enabled the Group to take advantage of the recent decline in interest costs. Further, the Group issued inflation linked bonds during the year under review to take advantage of the natural hedge related to the CPI-linked tariffs.

Foreign exchange risk

The Group uses, among others, foreign exchange contracts to hedge foreign exchange exposure relating to foreign denominated operational transactions. Further, debt from foreign investors is raised in Rands. If denominated in foreign currency, cross-currency swaps are used to hedge both the interest and capital. The Group is exposed to foreign currency risks in relation to investments in respect of its investment in Mumbai Airport – through ACSA Global Limited.

Credit risk

Credit risk arising from normal operating activities is mitigated by guarantees or deposits by customers. Credit risk can also arise from cash and cash equivalents, and derivative financial instruments. The Board-approved financial risk management framework specifies the investment and counterparty policies and investment limits per counterparty and instrument.

ECONOMIC REGULATION

As previously highlighted, the aeronautical revenues of the Group are regulated in terms of the Airports Company Act of 1993, as amended (The Act). The Act established a Regulating Committee to ensure non-monopolistic pricing by the Group in determining both passenger and airline tariffs.

ACSA's Regulating Committee determines the price cap using a single till approach, in which non-aeronautical revenues are used to reduce the required revenues calculated. The tariffs are set for five years with an option for a new determination after three years. During the Permission cycle, promulgated tariffs may be adjusted by the correction factor (the difference between forecast and actual CPI). Extraordinary and once-off capital expenditure may also be adjusted during the Permission cycle.

The price cap is determined using the forecast traffic for the Permission period and consequently the Group is exposed to traffic risks during a Permission cycle.

As indicated above, the year under review represents the second year of the challenging 2008–2012 Permission cycle, which only remunerates the Group, through tariffs, for the substantial capital expenditure programme when the assets are brought into use. This resulted in a significant reduction in annual cash flows required.

Regulatory strategy

A regulatory strategy was developed during the year under review. The key objectives of the strategy were to obtain regulatory transparency, predictability, consistency in regulatory decision making and fair balance of risks and returns. The strategy sought to ensure a supportive regulatory approach to infrastructure investment in line with the economic forecast.

In implementing the strategy, the Group continued to provide submissions to the Regulating Committee in regard to critical factors. These included input to the Permission approach document in support of the broad objectives of The Act.

The Group performed various scenario analyses to assess the impact of market conditions and economic regulation on its financial sustainability. Financial strategies to ensure predictable recovery were developed and implemented. During the year under review, the Group implemented the following strategies:

Re-opening of Permission

The current Permission will be re-opened with effect from April 2010. The Regulating Committee issued an Approach document, from which the Group is preparing the tariff application for the 2010–2015 Permission cycle. It should be noted that the Approach does not differ materially from the current one.

The Group expects the Regulated Asset Base to increase by 200% to R24.9 billion due to the inclusion of the pre-funded assets. The pre-production interest paid during the current Permission will be capitalised to the Regulated Asset Base and recovered over the economic useful life of the underlying asset.

The current decline in traffic will be adjusted for in the new base. The increase in operational costs associated with the additional capacity and unanticipated extraordinary increases, such as energy escalations and municipal rates and taxes, will be included in the Permission application.

Revenue efficiency

In addition to the robust management of commercial revenues as outlined above, the Group identified once-off commercial activities to generate cash. In so doing, the leasehold agreement of the various precincts at the greenfield airport at La Mercy was converted to freehold. This will result in additional cash of approximately R427 million. The transfer of ownership is expected to be finalised by the end of the financial year ending March 2010.

Other property initiatives, as outlined in the Commercial Services Division report, are being pursued by the Group to improve the cash flow.

CAPITAL INVESTMENT REVIEW

The Group continued to review and rationalise capital investment in line with the decline in traffic and the outcome of the regulatory approach. As a result, the previously reported capital expenditure programme of R22 billion for the Permission cycle 2008–2012 has been reduced to R17 billion.

INFORMATION TECHNOLOGY

The Group embarked on the enhancement of back-office processes and systems as part of the drive to achieve improvement in operational efficiency. In this regard, an Enterprise Resource Planning system for Finance, Human Resources, Payroll and Procurement was implemented during the year under review. The Group also implemented, as part of its Information and Communication Technology (ICT) Strategy, the Airport Management Centre at O.R. Tambo. This will enhance collaborative decision making in airport operations by all the stakeholders, including ramp handlers, airlines, government agencies and ACSA.

The ICT strategy will ensure that the Group is positioned to optimise current services, resources and infrastructure. This will also enable a focus on the core activities of customer service, end-to-end processing, safety, security, optimisation of new airport infrastructure and commercial activities.

OUTLOOK

The solid asset base, enhanced further by the increase in capital investment programme of R17 billion, will position the Group for additional value creation when the economy emerges from the current global economic crunch. The commissioning of the retail space at O.R. Tambo International's Central Terminal Building and the opening of phase 1 of the 2010 terminal at Cape Town International provide great opportunities to derive the expected returns from investments made.

The Group expects the current decline in passenger volumes to continue for the next 12 months leading up to the 2010 FIFA World Cup.

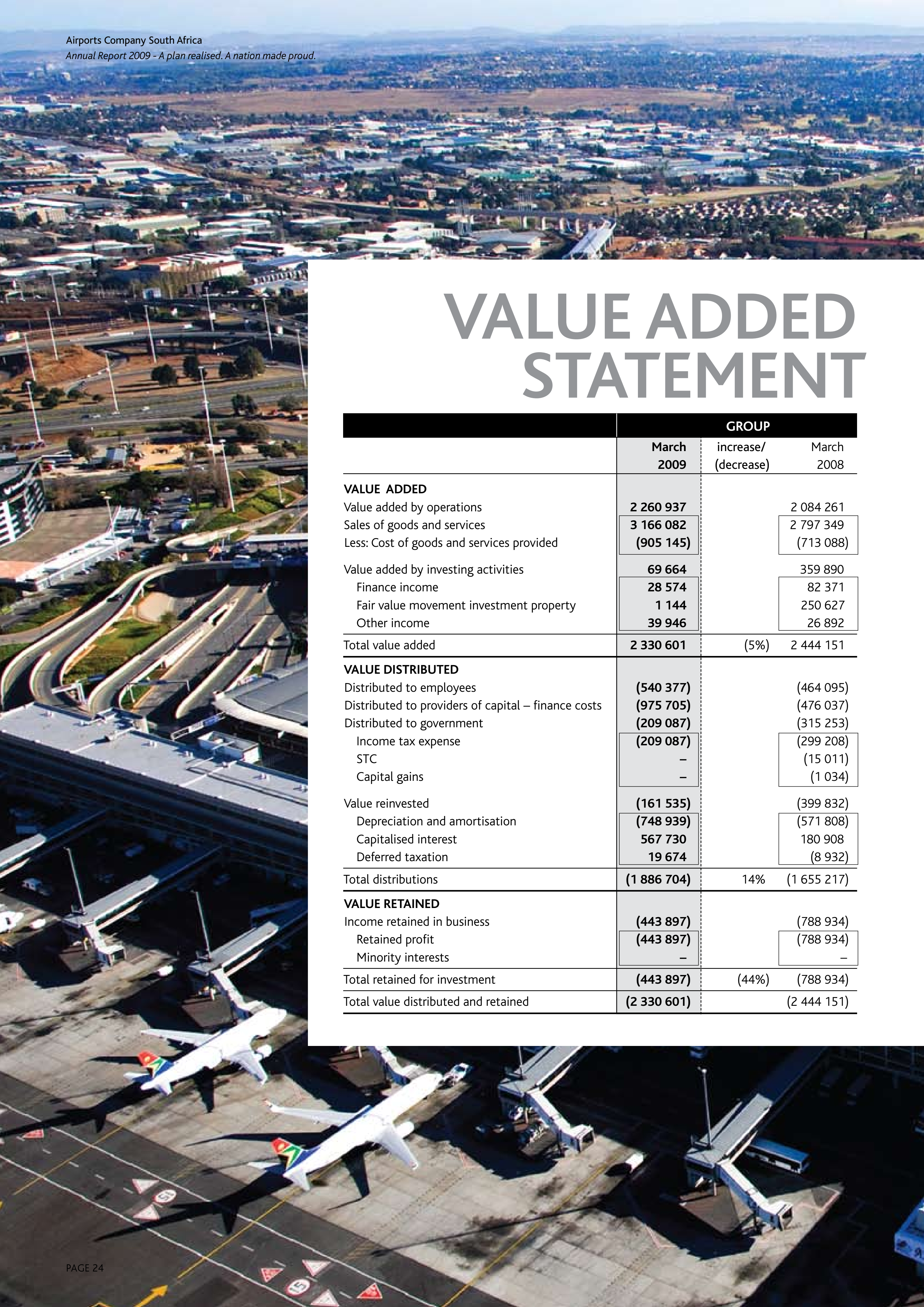
The reduction in interest rates and inflation will contribute positively to the financing and operating costs of the Group.

APPRECIATION AND CLOSING

I would like to acknowledge and pay tribute to the finance team for its high-quality performance and significant contribution. Further, I would like to thank the Executive Committee and the Board, including the Audit Committee and the Treasury and Regulations Committee, for their leadership and support, especially during the challenging operating environment.

Lastly, I thank all the key stakeholders of the Group, including the investors, for their confidence in ACSA, the regulators for their constructive insights and customers for their ongoing support.

BP Mabelane
Finance Director



VALUE ADDED STATEMENT

	GROUP		
	March 2009	increase/ (decrease)	March 2008
VALUE ADDED			
Value added by operations	**2 260 937**		2 084 261
Sales of goods and services	**3 166 082**		2 797 349
Less: Cost of goods and services provided	**(905 145)**		(713 088)
Value added by investing activities	**69 664**		359 890
Finance income	**28 574**		82 371
Fair value movement investment property	**1 144**		250 627
Other income	**39 946**		26 892
Total value added	**2 330 601**	(5%)	2 444 151
VALUE DISTRIBUTED			
Distributed to employees	**(540 377)**		(464 095)
Distributed to providers of capital – finance costs	**(975 705)**		(476 037)
Distributed to government	**(209 087)**		(315 253)
Income tax expense	**(209 087)**		(299 208)
STC	**–**		(15 011)
Capital gains	**–**		(1 034)
Value reinvested	**(161 535)**		(399 832)
Depreciation and amortisation	**(748 939)**		(571 808)
Capitalised interest	**567 730**		180 908
Deferred taxation	**19 674**		(8 932)
Total distributions	**(1 886 704)**	14%	(1 655 217)
VALUE RETAINED			
Income retained in business	**(443 897)**		(788 934)
Retained profit	**(443 897)**		(788 934)
Minority interests	**–**		–
Total retained for investment	**(443 897)**	(44%)	(788 934)
Total value distributed and retained	**(2 330 601)**		(2 444 151)

COMPANY		
March 2009	increase/ (decrease)	March 2008
2 170 883		2 011 770
3 007 684		2 657 906
(836 801)		(646 136)
3 301		290 215
23 585		80 010
(31 456)		205 670
21 172		4 535
2 184 184	(5%)	2 301 985
(521 334)		(445 746)
(911 186)		(439 347)
(204 290)		(309 056)
(204 290)		(293 011)
–		(15 011)
–		(1 034)
(148 292)		(388 180)
(746 154)		(566 955)
567 730		180 908
30 132		(2 133)
(1 785 102)	13%	(1 582 329)
(399 082)		(719 656)
(399 082)		(719 656)
–		–
(399 082)	(45%)	(719 656)
(2 184 184)		(2 301 985)

VALUE ADDED STATEMENT

Value added is the measure of wealth the Group has created in its operations by 'adding value' to the cost of services/goods. The statement below summarises the total wealth created and shows how it was shared by employees and other parties who contributed to its creation. Also set out below is the amount retained and re-invested in the Group for the replacement of assets and the further development of operations.

VALUE ADDED STATEMENT 2008

Distributed to government	13%
Value reinvested	16%
Income retained in business	32%
Distributed to employees	19%
Distributed to providers of capital	20%

VALUE ADDED STATEMENT 2009

Distributed to government	9%
Value reinvested	7%
Income retained in business	19%
Distributed to employees	23%
Distributed to providers of capital	42%


SOUTH AFRICAN

BOARD OF DIRECTORS

FRANKLIN SONN
Chairman

Franklin was first appointed to the Board of ACSA as a non-executive director in 2000. He has held many distinguished positions throughout his career.

Although he terminated all his directorships when he was South Africa's Ambassador to the USA (1995-1999), Franklin is once again serving on the boards of many companies, including Sappi Ltd, Macsteel Service Centres SA (Pty) Ltd, Steinhoff International Holdings Ltd, JIA Piazza Park (Pty) Ltd (holding company for Airport Sun Inter-Continental Hotel at O.R. Tambo International Airport), RGA Reinsurance Co of SA Ltd, KV3 Engineers (Pty) Ltd, Ekapa Mining (Pty) Ltd, Pioneer Food Group, Metropolitan Holdings Ltd, Metropolitan Life Ltd, Esorfranki Ltd and Xinergistix Ltd.

He serves as Chancellor of the University of the Free State and Executive in Residence at the University of Cape Town's Graduate School of Business. He has 13 honorary degrees as well as his BA (Hons) and is a Fellow of the Institute of Administration and Commerce. Franklin was Rector of the Peninsula Technikon from 1978 to 1994 and President of the Afrikaanse Handelsinstituut.

He is a trustee of the World Wide Fund for Nature SA, the Desmond Tutu Peace Trust and the Impumelelo Innovations Awards Trust.

SINDI ZILWA
Deputy Chairman

Sindi is the Chief Executive Officer of an accounting firm, Nkonki, and a non-executive director of Woolworths Ltd, Discovery Ltd, Ethos Private Equity and Strate Ltd. She is also a member of the South African Institute of Chartered Accountants' Education Committee and its Banking Project Group.

She obtained her BCompt (Hons), CTA and Advanced Taxation Certificate through correspondence with UNISA. In 1990, she became the second black woman chartered accountant in South Africa. Sindi is also a Certified Financial Planner and has an Advanced Diploma in Banking from RAU and an Advanced Diploma in Financial Planning from the University of the Free State.

Sindi lectured at UNISA and UNITRA before practising as a chartered accountant, and has received a number of awards for her achievements in business. Most recently (2008), she received the Woman of Substance Award from African Women Chartered Accountants.

MONHLA HLAHLA
Managing Director

Monhla was appointed as the Managing Director for the Airports Company South Africa (ACSA) in 2001. At present, Monhla is a non-executive director for Air Traffic and Navigation Services, Absa Bank and the Industrial Development Corporation. She also serves on the Airports Council International (ACI) World Governing Body, and is Vice-President for the African chapter of ACI.

In 1994, she joined the Development Bank of Southern Africa and was seconded to the Municipal Infrastructure Investment Unit as Chief Executive Officer. Following her achievements at the Development Bank, Monhla joined Old Mutual Employee Benefits as a Regional General Manager, until she was appointed Managing Director of ACSA in November 2001.

In 2005, Monhla was awarded the following accolades: Businesswomen's Association Businesswoman of the Year, Black Business Quarterly Business Woman of the Year, Impumelelo South Africa's Top Empowerment Companies Businesswoman of the Year, and International Quality and Productivity Centre, Most Outstanding Woman Manager in a State-Owned Enterprise.

In 2008, she was named the Black Management Forum Business Personality of the Year.

Monhla completed a BA Honours (Economics) at Pomona College and an MA (Urban and Regional Planning) from the UCLA School of Architecture and Planning, both in the United States of America.

PRISCILLAH MABELANE

Executive Director: Finance

Priscillah joined ACSA in February 2008 as Executive Director: Finance. Prior to joining ACSA, she worked for Ernst & Young as a Tax Director heading the financial services advisory team.

She started her career at Ernst & Young as a trainee accountant and later joined Liberty Life in 1997 as an internal auditor. She also worked for Eskom Holdings Limited, where she spent seven years in various positions in financial management, tax advisory and general management. Priscillah also served as a non-executive director of Eskom Finance Company (Pty) Ltd and the Eskom Development Foundation.

ALBERTINAH KEKANA

Non-Executive Director

Albertinah is the Chief Operating Officer of the Public Investment Corporation (PIC).

She is a chartered accountant who obtained her BCom and Post-Graduate Diploma in Accounting from the University of Cape Town.

Prior to joining the PIC in 2003, Albertinah worked in investment banking at Kagiso Financial Services, NM Rothschild and UBS.

She is a non-executive director of Advent Asset Management, Harith Fund Managers, and CBS Property Group, and a member of the Investment Committee of the Eskom Pension and Provident Fund.

NOMFUYO GALENI

Non-Executive Director

Nomfuyo is Head of Risk, Absa Group Operations. She was previously an audit partner at Nkonki and, having been chief financial officer for various institutions, has a great deal of experience in corporate governance, finance risk and related issues.

She serves on the board of Munich Re and is a member of the Institute of Directors and the South African Institute of Chartered Accountants.

Nomfuyo has a BCompt from UNITRA and BCompt (Hons) from the University of Natal and completed her articles with Coopers & Lybrand in Umtata. She subsequently worked as an internal audit manager at Transnet.

WAYNE CLIFFORD VAN DER VENT

Non-Executive Director

Wayne is the Head: Property Investments at the Public Investment Corporation (PIC), where he manages a R36 billion property portfolio. The mixed asset base of directly held, listed and unitised properties, entails maximising returns, identifying acquisition opportunities and comparing results against market performance.

He qualified with a BA in Law at the University of Cape Town, majoring in Politics and Private Law.

Before joining PIC in September 2005, Wayne was a director of Development Funds at Futuregrowth Asset Management, and at Property Asset Managers (now Catalyst). He also worked for Monex Development as a Property Manager and as a Property Asset Manager at the Community Property Fund. Wayne is a director of Pareto Ltd. His other board positions include those at Community Property Company, Community Property Holdings, Advent Asset Management and SA Corporate.

NAMHLA THINA SIWENDU

Non-Executive Director

Thina is the founding partner of Siwendu & Partners Inc, a South African law firm with offices in Durban. She heads the firm's Corporate Governance and Corporate Law Department and chairs the firm's Property Law Division, Siwendu GHP. Thina holds a BSocSc (Hons) from the University of Cape Town (1988) and an LLB from the University of Natal, Durban (1991).

Her firm has advised the eThekwini Municipality as well as the KwaZulu-Natal Department of Economic Affairs and Development on a range of legislative matters, including the drafting of the tourism legislation and regulations and matters pertaining to local economic development. In 2003, the firm was voted by Impumelelo amongst the top empowerment companies in the sector.

Over the past five years, Thina has worked in the area of corporate governance law and regulation as well as conducting board performance reviews and overall organisational corporate governance assessments.

She was awarded the Regional Business Achiever (Professional Services) for the year 2004/5 by the Businesswomen's Association. Thina is a Fellow of the Africa Leadership Initiative, and a visiting Research Fellow at the Unit for Corporate Governance in Africa, at the University of Stellenbosch Business School.

Thina is part of a team that is developing a Corporate Governance Rating Index for the Public Investment Corporation.

ROHAN PERSAD

Non-Executive Director

Rohan is Chief Executive Officer of the Dube TradePort. Before taking up this position in 2003, he was Special Advisor to the MEC for Economic Development and Tourism in KwaZulu-Natal.

He obtained BSocSc (1984) and Master of Town and Regional Planning (1987) degrees from the University of Natal and then worked for the Congress of South African Trade Unions (1987 to 1995), the United Democratic Front and, later, the African National Congress in KwaZulu-Natal in various capacities.

MAXWELL RAMAGAGA
Non-Executive Director

Max is General Manager: Corporate Finance at the Passenger Rail Agency of South Africa. He holds a number of qualifications including BComm (Rhodes – 1990), Masters in Business Leadership (UNISA – 2001) and Advanced Valuation Techniques (Gordon Institute of Business Studies – 2002).

In addition, in the USA, Max studied Privatisation, Regulatory and Corporate Governance at Princeton and Market Reform and PPP at Harvard.

Max was Chief Director: Institutional Reform at the National Department of Transport, and Director: Asset Management at the Department of Treasury, North West Development Corporation as well as Finance Manager and Cost Accountant at Iscor/Mittal, prior to his current position.

Apart from ACSA, he sits on the Board of SAFCOL (South African Forestry Company).

EXECUTIVE COMMITTEE

BONGANI MASEKO

Airports Operations: Group Executive

Bongani joined ACSA in 1999. He is responsible for the day-to-day operations at all ACSA airports, and was previously General Manager of O.R. Tambo International Airport for three-and-a-half years.

He has a degree in Aviation Business Administration from Embry-Riddle Aeronautical University in Florida (USA), where his studies focused on airport and airline management. Bongani continued his studies at the University of California in airport systems planning and design and airport ground transportation planning.

Subsequently he gained experience at San Francisco International Airport in the USA, where he worked for eight years in various capacities.

CHRIS HLEKANE
O.R. Tambo International Airport: General Manager

With a BSc Honours in Chemistry from Rhodes University, Chris worked in commerce and industry as a research and industrial chemist before being appointed manager of manufacturing plants in the Colgate Palmolive and Nampak groups. Later, in the Coca-Cola Group, he managed three manufacturing plants in Mpumalanga before moving to L'Oréal SA as industrial manager. Chris was an executive director of the MX Health Institute group of companies before he took up his present position with ACSA in 2005.

DEON CLOETE
Cape Town International Airport: General Manager

Deon holds two degrees: a BComm and a Master's in Business Leadership from the University of South Africa. He has 23 years' experience in the aviation industry, in the fields of both airports and airlines.

One of the highlights in Deon's career was being part of the management team that established ACSA and developed it into what it is today.

Deon has served at all 10 of ACSA's airports. He was at the then Johannesburg International as a member of the management team until 1999, then served as GM for Durban's international and national airports from 2001 to 2008, before his appointment as GM of Cape Town International in August 2008. In 2000/2001 Deon was seconded to South African Airways, where he served as General Manager: Passenger Support Services.

Deon is a Board member of Cape Town Routes Unlimited (CTRU), the destination marketing organisation for the Western Cape.

TERENCE DELOMONEY

Durban International and National Airports: General Manager

Terence was appointed General Manager at Durban International and National Airports on 1 August 2008. He is a chartered accountant by profession and has been with ACSA for more than nine years. Terence headed the portfolios of Finance and Commercial and was then promoted to AGM: Support, which included Projects, Engineering and IT, when the national airports became part of the Durban International Airport management structure.

The national airports, including the new airport at La Mercy, have been engaged with major and incremental upgrades, which are managed by Terence and his team. They have made a concerted effort to turn some of these non-profit airports into profit-making facilities.

SELLO HLALELE

Internal Audit: Group Executive

Sello has spent the last 19 years as an external and internal auditor. He served his articles with Pricewaterhouse Coopers and went on to head the auditing departments of several organisations, including Unihold Group Ltd (listed on the JSE and the London Stock Exchange), before joining ACSA in May 2003.

His portfolio provides assurance that internal controls and governance processes are functioning as intended by the Board and that they are effective. He is also responsible for monitoring and improving controls to mitigate risks that may have an impact on ACSA's strategic objectives.

HAROON JEENA
Commercial Services: Group Executive

A qualified chartered accountant with many years of financial and commercial experience, Haroon has also studied for a Higher Diploma in Tax Law and is completing a Master's in Commerce (Financial Management) with the University of Johannesburg.

He joined ACSA in 1999 as Group Manager: Property, Administration, Investments and IT before moving to Commercial Finance and Asset Management after the restructuring in 2001.

Haroon was given full responsibility for the ACSA property portfolio in 2003 and was appointed Group Executive: Commercial Services from 1 June 2008.

MARTINA ROLENE WISWE (Tinka)
Group Legal Counsel

Tinka holds BProc (UNISA) and LLB (UCT) degrees and is an admitted attorney. She joined ACSA in November 2003 as the Company Secretary. Since November 2006 TInka has held the position of Group Legal Counsel and is responsible for the Company's legal and compliance functions.

NICOLETTE KNAPP (Nicky)
Communications and Brand Management: Group Executive

Nicky has an MBA from the University of the Witwatersrand and diplomas in Office Administration and Public Relations from Pretoria Technikon (University of Tshwane). She has worked with ACSA in various capacities for the past 13 years, latterly as Group Specialist: Commercial Marketing in the corporate office. Nicky has delivered several papers on travel retail marketing, both locally and abroad.

Previously she was marketing manager and then business and market development manager at O.R. Tambo International. Nicky was appointed to her present position in March 2009.

PIETER DU PLESSIS
Human Resources: Group Executive

Pieter, a registered industrial psychologist, has extensive experience in strategic human resources management, transformation and change management, and human resources capital development. He was human resources manager at O.R. Tambo International for six years, after which he managed the operations portfolio for more than three years. In his position as Assistant General Manager: Operations, he was able to combine his HR expertise with his operational experience.

He was promoted in 2003 to the position of Group Executive: Human Resources. His responsibilities include all areas of HR management for all ACSA airports.

JOHN NEVILLE
Aviation Services: Group Executive

John is a building surveyor who started his career in 1968 with John Laing Construction in the UK. In 1974 he moved to South Africa, where his career expanded into project management and property development where he was a director of companies.

John joined ACSA in 1999 as Group Manager: Projects, responsible for the expansion and improvement projects at ACSA's airports and was promoted to his current position in 2007.

He is chairman of the Corporate Capex Committee and is a standing member of the Corporate Tender Board and the IT Steering Committee. John represents ACSA on the Construction Industry Development Board.

GORAN VRACAR
Aviation Planning: Assistant Group Executive

Goran has a degree in Air Traffic and Transportation Engineering and 29 years' experience in airport operation, planning and design. He worked at Belgrade International Airport, where his responsibilities included airport operation, planning and development.

Goran joined ACSA in April 1994 and has held his current position as Assistant Group Executive since 2004. Goran is responsible for airport planning for all ACSA's airports. Over the past 15 years he has been a member of numerous industry and government task teams and the speaker at a number of high-level conferences worldwide.

OPERATING STRUCTURE

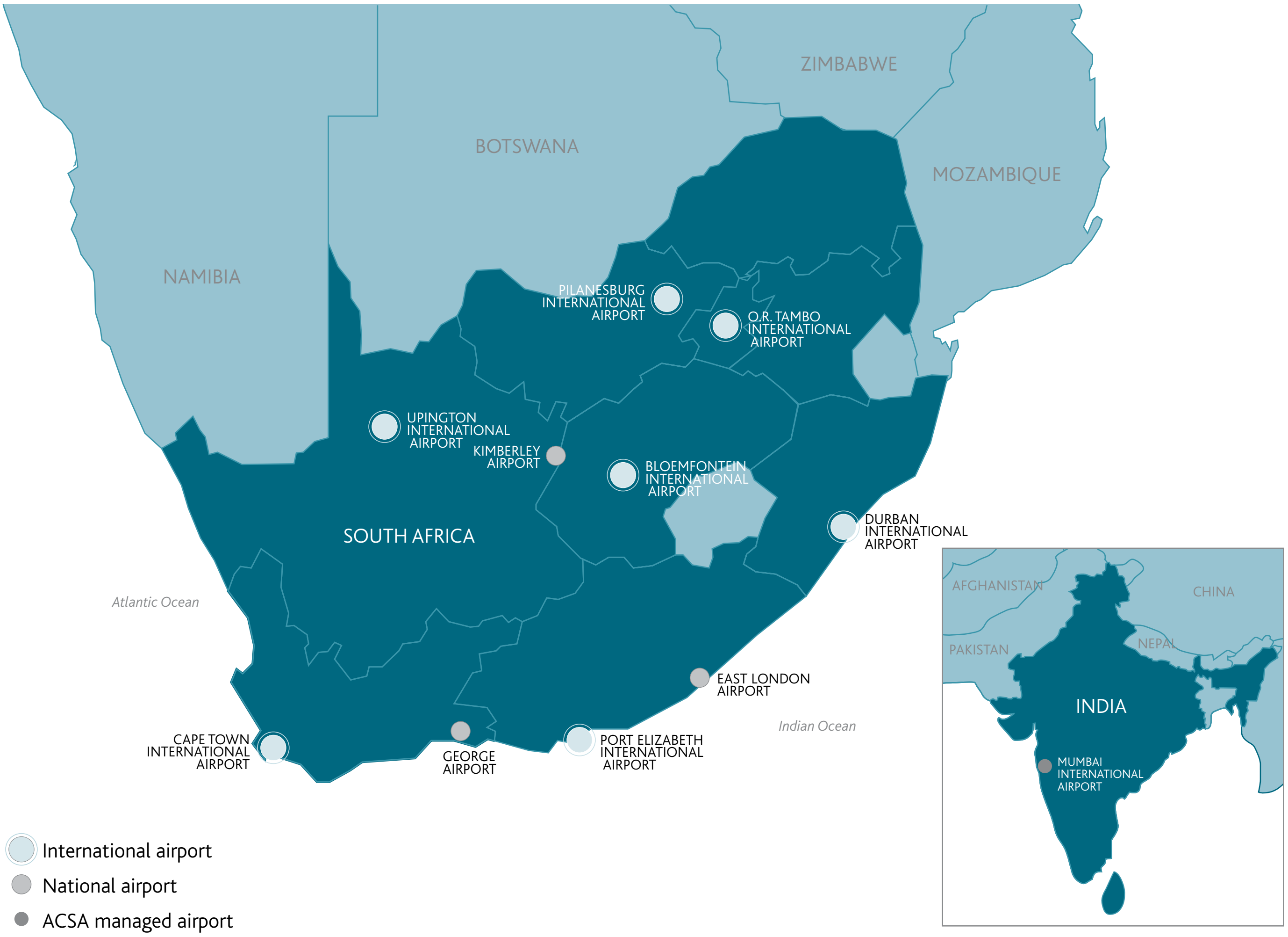
BOARD OF DIRECTORS

- Company Secretary
- Group Executive: Internal Audit

MANAGING DIRECTOR

- Finance Director
- Group Executive: Aviation Services
  - Assistant Group Executive: Aviation Planning
- Group Executive: Communications and Brand Management
- Group Executive: Commercial
- Group Legal Services
- Group Executive: Human Resources
- Group Executive: Operations
  - General Manager: O. R. Tambo International
  - General Manager: Cape Town International
  - General Manager: Durban International and National Airports

AIRPORT LOCATIONS




HACKETT
LONDON


Toilets
Airline Lounges
INDABA