



STRATEGY

STRATEGIC POSITIONING

As previously reported, the Company adopted a Balanced Scorecard as a framework through which the business strategy would be articulated and the vision clarified.

This review process led to a bottom-up strategy formulation in order for Airports Company South Africa to be a world-leading airport business, and its operational execution would need to become anchored around operational efficiency and excellent customer service standards. In 2008, the strategy was further reviewed, and the outcome was reaffirmation of the strategy to build an efficient and customer-focused business.

It was also indicated that, going forward, and based on a strong risk and assurance culture, the business would continue with the current strategy into the financial year 2012/13, and undertake a significant strategy review in time for the next five-year regulatory cycle, beginning in the 2013/14 financial year.

Noting the above, the Company is at a stage of its business life cycle that requires refinement and re-engineering of core processes, capital investments, products and services. In addition, the cycle demands that ACSA finds operative and proficient approaches to enable the growth and deepening of the share of revenue from existing and organic revenue sources, as well as crafting focused approaches to identify and secure new, higher-yielding business opportunities.

Within this context, it is pleasing to report that, in the year under review, ACSA and Invepar won the bid for the 20-year concession to expand, operate and maintain Guarulhos International Airport. The airport is located near the city of

São Paulo, in Brazil, and is currently the busiest airport in Latin America. Our achievements in managing Chhatrapati Shivaji International Airport in Mumbai, India, for the past six years have given us the track record to venture into other economies.

In 2012/13, the organisation will channel its effort on strengthening the platform to enable further value creation for ACSA and its stakeholders. Consequently, a business improvement programme commenced in October 2011 and was structured to deal with the following short-term priorities:

- Stakeholder relationship management
- Alternative revenue models, including
 - Airport management solutions
 - Property development
 - IT revenue
 - Long-term concession options
- Short-term people performance and capacity
- Business planning and business unit strategy
- Committee decision making
- Procurement backlogs
- Debtors days.

Additional streams to provide support to the short-term work, and to build foundations for longer-term work to come are:

- Change management
- Leadership alignment
- Employee engagement.

The three further work streams that will commence in the financial year 2012/13 are:

- Vision review
- Operating model
- Role of the corporate office.

The preamble to the above is to ensure that the Company continues to manage safe and secure airports, deliver focused customer service, actively pursue sustainability programmes and advance its corporate social investment initiatives.

Thus the road ahead demands a workforce that will be performance focused and leaders who will be agile and adept in adjusting to the ongoing and ever present micro and macro economic changes. The Human Resources division has developed a series of interventions to facilitate and further the development of the workforce and leaders.

DELIVERING ON OUR OBJECTIVES

The table below reflects the Company's strategic deliverables and the extent to which they have been achieved.

Financial perspective						
Key performance indicator	Strategic objective	Strategic objective definition	Measure	Definition	11/12 Target	11/12 Actual
Grow shareholder value	Grow shareholder value	Growing shareholder value to deliver sustainable returns in line with expectations, to balance investment in infrastructure, and to contribute to the development of South Africa's economy at large.	ROCE (Company)	Return on capital employed as reported in the financial statements.	5,2%	4,5%
			EBITDA (Company)	Earnings before interest, tax, depreciation and amortisation as reported in the financial statements.	R3,289 billion	R3,328 billion
Customer perspective						
Passengers	Deliver passenger-valued services	Airports Council International (ACI) manages the Airport Service Quality (ASQ) programme, which is the world's leading airport customer satisfaction benchmark programme with over 190 airports in more than 50 countries surveying their passengers every month of the year. All airports use the same questionnaire and follow the same methodology. The programme's highly detailed sample plan, tailored to each airport's traffic, ensures comparable results.	ASQ Rating	Airport Service Quality survey scores presented by ACI (weighted average).	International 3,9 Domestic 3,8	4,1 4,2
Aeronautical Stakeholders	Building aeronautical stakeholder relations	The stakeholder ratings are conducted at the airports and are divided into three categories, namely: Aeronautical, Airlines and Commercial Stakeholders.	Aeronautical Stakeholders Rating	Aeronautical Stakeholders refers to those stakeholders identified in the quarterly stakeholder survey (average).	3,5	3,5
Airlines	Building airline stakeholder relations		Airlines Rating	Airlines refers to those airlines identified in the quarterly stakeholder survey (average).	3,4	2,9
Commercial Stakeholders	Building commercial concessions' stakeholder relations		Commercial Stakeholders Rating	Commercial Stakeholders refers to those commercial stakeholders identified in the quarterly stakeholder survey (average).	3,6	3,4

Acronyms:

AMC: Airport Management Centre
AODB: Airport Operational Database
BRS: Baggage Reconciliation System

CDM: Collaborative Decision Making
CUSS: Common-use Self Service (kiosks)
CUTE: Common-use Terminal Equipment

FIDS: Flight Information Display System
ICAO: International Civil Aviation Organisation
IT: Information Technology

Internal process perspective

Key performance indicator	Strategic objective	Strategic objective definition	Measure	Definition	11/12 Target	11/12 Actual
Long-term Business Sustainability	Identifying and growing new business opportunities	To decommission and sell the 'old' Durban International Airport site.	Board-approved business plan – Durban International Airport site value optimisation	The Durban International Airport value optimisation business plan must demonstrate (1) how ACSA will decommission Durban International Airport with timelines and cost and benefit, (2) how and by when ACSA will sell two-thirds of Durban International Airport property, and (3) outline the approach on the remainder of the property.	Plan: approved by Board 30 June 2011. Implementation of plan: 31 March 2012.	On 23 March 2012 the sale agreement was signed by parties. On 30 March 2012 ACSA received R1,2 billion security deposit from Transnet. On 11 April 2012 Competitions Commission approval was granted for the sale to proceed.
Business Excellence	Delivering ACSA's core operations effectively towards realising optimal capacity utilisation, whilst maintaining high levels of safety, security and customer service cost efficiently	Ensuring that critical airport infrastructure quality standards are being adhered to.	Technical and Engineering (for business continuity)			
			Quality of runway	Compliance to ICAO standards as per Annex 14 standards.	100%	96,15%
			Quality of runway lighting	Compliance of equipment to ICAO standards as per Annex 14.	99%	97,78%
			Availability of baggage management systems	The performance of the baggage handling system is measured in real time through the Sorter Application Computer (SAC). The reporting functionality is standard and provides details of system availability. This indicates when the system was available during the required operational periods. Poor maintenance will result in reduced availability.	99,5%	99,8%
			Quality of fuel installations	Airport fuelling installation is governed by the Joint Inspection Group (JIG) technical standards and guidelines. ACSA needs to comply with two of the three volumes: the standards for into-plane services and the standards for operating fuel farms. The third volume that describes the standards for verifying quality of fuel is only applicable to the fuel suppliers. All airports also have to conform to the rules included in the Fuel Lease Agreements and all administrative responsibilities.	100%	80%

DELIVERING ON OUR OBJECTIVES (CONTINUED)

Internal process perspective (continued)						
Key performance indicator	Strategic objective	Strategic objective definition	Measure	Definition	11/12 Target	11/12 Actual
Business Excellence (continued)		Ensuring aviation safety and security through key performance indicator monitoring.	Aviation Safety (compliance)	Apron accidents and incidents are measured on a monthly basis, using the ACI Safety Ratio (total number of accidents and incidents for the month, multiplied by 1 000 (ATMs), divided by the total number of ATMs for the month.	0,7	0,598
			Apron incidents and accidents – O.R. Tambo and Cape Town International Airports (per 1 000 movements)		0,093	0,168
			Bird and Wildlife stikes (per 1 000 movements)		16	0,71
			Number of fire personnel	Number of fire personnel in line with compliance levels as determined by SACAA.	100%	99,44%
		Ensuring aviation safety and security through key performance indicator monitoring.	Aviation Safety (compliance)	Incidents, and in particular, acts of unlawful interference are defined as acts or attempted acts such as to jeopardise the safety of civil aviation and air transport.	0	0
			Incidents (acts of unlawful interference) year-on-year improvement from last year			
			Legislated training	All security personnel to attend legislated training programmes.	100%	100%
			Baggage pilferage (per 1 000 bags handled)	The IATA international benchmark is 0,04% for mishandled bags, which includes pilferage. There is no specific benchmark for baggage pilferage. The 0,04% will be used as the target and is applied to O.R. Tambo, Cape Town and King Shaka International Airports.	0,04%	0,0237%
		Furthering the development and investment for Enterprise Development, measured by way of the B-BBEE scorecard.	Enterprise development	The maximum points allocated for Enterprise Development on ACSA B-BBEE scorecard is 15 points. The aim is to incrementally, year-on-year, achieve the full allocation of points.	7	10,57
Learning and growth perspective						
Information Capital Readiness	IT systems to secure ACSA's positioning as a world-class airport operator	Ensuring that critical airport IT systems are available at least 98% of the time.	Availability of critical IT systems	The following IT Systems viz., AODB, FIDS, CUTE, CUSS, CDM (AMC) and BRS have been identified as critical. A target of 98% availability has been set. The measure will be aggregated monthly.	98%	99,47%
Leadership Capital Readiness	Right people, right skills, right jobs	Identifying and developing successors for the approved critical positions.	Percent of +/- 35 critical positions with qualified successors	Ensure that the identified critical roles have qualified successors.	80%	97,6%
Organisational Readiness	Building the ACSA culture – PRIDE	Monitoring organisational and employee satisfaction.	Employee satisfaction index	Assessment of the organisational employee satisfaction.	3	3

STAKEHOLDER ENGAGEMENT

Airports Company South Africa recognises that without its stakeholders, services to passengers – the lifeblood of any airport – would not be possible. It is therefore vital that mutually beneficial relationships with stakeholders are developed, strengthened and continually managed. As outlined below, the Company has now reached a point where it has structured ways of engaging with stakeholders, both formally and informally.

At each airport there are a number of mandatory forums that meet regularly to discuss various issues of common interest in the areas of security, safety and retail. Security is a major area of focus and day-to-day security matters are discussed at the Local Aviation Security Committee (LASC). The LASCs feed into the National Aviation Security Committee (NASC), which oversees aviation security countrywide. NASC members comprise representation from the South African Civil Aviation Authority (SACAA), the South African Police Service (SAPS), the South African National Defence Force (SANDF), Air Traffic and Navigation Services (ATNS), Airports Company South Africa and various other state entities.

The Company is also represented at the Border Control Operational Coordinating Committee, a multiple stakeholder agency set up to coordinate services at ports of entry. It includes representatives from South African Revenue Services (Customs), the Department of Home Affairs (Immigration) and SAPS.

Another stakeholder engagement structure is the Airline Operations Committee, made up of airlines and ground handling companies. Its purpose is to discuss day-to-day operational issues and consider common areas that require alignment to achieve maximal results. The historical main area of concern was baggage operations, and this led to the establishment of Baggage Pilferage Committees at all airports, thus contributing to the positive baggage pilferage trends we have seen in the recent past.

Efficient and reliable flight operations are a must for any world-class airport, and to achieve this, it is vital that all stakeholders work together. The Company facilitates this through the aptly named End-to-End Forum. One of the key innovations introduced as a result of the work done by this forum is a collaborative decision-making process, with its focus on the efficient movement of passengers, baggage and aircraft in our quest to improve on-time performance. The Airport Management Centre (AMC), which is the nerve centre that facilitates this collaborative process, was brought into operation at O.R. Tambo International Airport in 2009 and in 2010 Cape Town International Airport opened theirs, whilst King Shaka International's was opened during the period under review.

Another set of critical stakeholders is retailers and concessionaires. Bi-monthly meetings are held to discuss business performance issues and matters that require the Company's attention in its capacity as landlord. The Company meets twice a year with retailers to review the marketing plans.

Safety

The following structures exist wherein we consult with stakeholders. Many of them are mandatory or ICAO recommendations in respect of engagement on aspects of aviation safety.

Occupational Health and Safety Committee

This is a statutory committee which meets monthly and is chaired by the Company's Safety Manager.

Ground Handling Committee meetings

There are monthly engagements with ground handlers and other airside service providers, e.g. catering companies etc., to monitor service levels, baggage delivery and safety performance. The meetings are chaired by the Company's Airside Manager and supported by Safety.

Local Runway Safety Teams

An ICAO recommended structure, meetings are held quarterly at our three major airports. They are attended by pilots, airlines, airside maintenance service providers, ATNS, SACAA and Company personnel.

Bird and Wildlife

Monthly meetings are held at all airports, chaired by the Aerodrome Rescue and Fire Fighting Manager and attended by all airlines, maintenance service providers, the Endangered Wildlife Trust, local bird clubs, environmental interest groups (where applicable) and neighbouring land owners. Bird and wildlife presence, statistics, prevention measures and habitat management are the main focus of the meetings.

Airside Operators Association

Quarterly meetings are held at which issues on ramp safety, equipment and procedures are canvassed.

Airlines Association of Southern Africa (AASA) Safety Committee

Monthly meetings are chaired by an elected airline to discuss safety matters affecting airlines. The Company has a permanent seat on this committee, which is extremely useful in promoting and obtaining agreement on safety issues and initiatives.

Civil Aviation Regulation Committee (CARCOM)

This is a statutory structure created by the Aviation Act and chaired by the SACAA/Department of Transport. The Company has

STAKEHOLDER ENGAGEMENT (CONTINUED)

two permanent seats. The committee deals with new legislation affecting the aviation industry.

Aerodrome Rescue and Fire Fighting Services

Each fire chief has regular engagements with the local authority emergency services in respect of mutual aid and support in event of an emergency. Structured MOUs are in place with these authorities.

Provincial and National Disaster Management Committees

Quarterly meetings are attended by fire chiefs and Corporate. These are chaired by the provincial disaster management chairmen and deal with strategic disaster management issues.

South African Civil Aviation Authority (SACAA)

Regular engagements take place between Corporate Safety and SACAA on national issues such as standardised emergency procedures, aerodrome manuals, safety legislation and technical guidance material. Meetings are held on an ad hoc basis.

Key criteria for stakeholder identification

In order to further enhance these engagements, a detailed analysis was undertaken of the Company's stakeholders in 2009, centred, to a certain extent, on the imperatives of delivery for the then forthcoming 2010 FIFA World Cup. In the previous financial year (2010/11) a committee reviewed the stakeholder identification and segmentation process. This involved workshops with business units across the Group that have regular stakeholder interaction. The framework from the AccountAbility Stakeholder Engagement manual was used as the basis for stakeholder identification and prioritisation. The following criteria were used:

Responsibility	Stakeholders to whom Airports Company South Africa has legal, financial and operational responsibilities in the form of regulations, contracts, policies or codes of practice.
Influence	Those stakeholders with influence or decision-making power (i.e. shareholders or pressure groups).
Proximity	Those stakeholders with whom the Company interacts most, including those that the Company depends on in day-to-day operations.
Dependency	Those stakeholders who are most dependent on Airports Company South Africa.
Representation	Those stakeholders who, through regulation or culture, are entrusted to represent a group of individuals (e.g. trade unions).

In the financial year under review, the prior stakeholder experience has provided the foundation for the creation of a long-term relationship management programme. A calendar of activities speaks to different levels of management interaction. This includes ensuring that Airports Company South Africa is represented, at appropriate levels, at industry events. Furthermore, that the Company supports industry initiatives.

The stakeholder engagement process ensures that those affected by Airports Company South Africa's operations and activities know that there is an established structure and programme that allows them to interact with the Company and have material issues systematically addressed. The Company is committed to an open dialogue with its stakeholders to enable mutual understanding of interests, challenges and concerns and the resultant development of solutions that are of benefit to both the Company and its stakeholders.

The following key stakeholder engagement elements were approved by the Executive Committee during the period under review:

- A host programme for interaction, aimed at stakeholder relationship building
- Discussion with the Airlines Association of Southern Africa (AASA), the Board of Airline Representatives of South Africa (BARSA) and Airports Council International (ACI) at a high level to ensure that Africa's voice is adequately represented in the global airports space
- Involvement in tourism leadership dialogues, driven by the National Department of Tourism
- That the interface with relevant parliamentary portfolio committees should be on a more structured and regular basis
- Participation in structured regulatory and mandatory forums
- The building of a system for the development of sustainable KPIs for each area of concern, to be measured on an annual basis
- A partnership with the Reputation Institute for a stakeholder management training programme at business unit level to build stakeholder management capacity, due to be implemented in 2012
- A drive to develop an aviation industry charter to unify members in a shared vision.

The table on the following page itemises key stakeholder groupings and their areas of major potential interest.

Stakeholder groups and interests

Stakeholder group	Matters of potential interest	Page reference
Passengers	<ul style="list-style-type: none"> • Service quality • Customer care • Aviation security 	48 – 54 52 53 – 54
Airlines	<ul style="list-style-type: none"> • Cost of doing business • Aviation security • Air quality and noise • Infrastructure 	45 53 – 54 60 – 61 48
Employees	<ul style="list-style-type: none"> • Corporate social investment • Employment equity, training and wellness 	70 – 71 65 – 68
Government (local, provincial and national)	<ul style="list-style-type: none"> • Infrastructure • Procurement • Environmental impact • Corporate social investment • Governance 	48 46 57 – 63 70 – 71 30 – 35
Investors	<ul style="list-style-type: none"> • Environmental impact • Corporate social investment • Economic impact • Risk management • Governance 	57 – 63 70 – 71 37 28 – 29 30 – 35
Regulating Committee	<ul style="list-style-type: none"> • Service quality • Economic impact 	48 – 54 37
Trade unions	<ul style="list-style-type: none"> • Governance • Wellness • Corporate social investment • Training • Remuneration • Employment equity 	30 – 35 67 70 – 71 67 67 66
Utility suppliers	<ul style="list-style-type: none"> • Energy and water consumption • Waste management 	58 – 59 60
Air Traffic and Navigation Services	<ul style="list-style-type: none"> • Safety • Air quality and noise 	51 60 – 62
Retailers and property tenants	<ul style="list-style-type: none"> • Growth and economic impact • Energy and water consumption • Waste management 	8 and 39 58 – 59 60
Security service providers	<ul style="list-style-type: none"> • Consistent regulation and oversight 	63 – 64
South African Civil Aviation Authority	<ul style="list-style-type: none"> • Safety and security regulations 	63 – 64
Non-Governmental Organisations	<ul style="list-style-type: none"> • Wildlife strikes 	63

INTEGRATED RISK MANAGEMENT



As a world-class airport operator, Airports Company South Africa acknowledges that effective management of risk is central to the achievement of the Company's vision to be a world-leading airport business. By understanding and managing risk, the Company can provide greater certainty and security for employees, customers and stakeholders.

The Company's integrated risk management process involves managing to achieve an appropriate balance between realising opportunities for gains, while minimising adverse impacts. Assurance of good corporate governance is achieved through the regular measurement, reporting and communication of risk management performance.

Risk management governance structure

The Board monitors and is responsible for the Company's risk management performance. Key Board accountabilities include the identification of major risks, and that appropriate systems and processes are in place to manage the identified risks, so that the Company's assets and reputation are suitably protected.

Furthermore, the Board ensures that the risk management process is accurately aligned to the strategy and performance objectives of the Company. The Board also provides stakeholders with assurance that key risks are properly identified, assessed, mitigated and monitored.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the Company.

Strategic risk register

Airports Company South Africa maintains a strategic risk register, which contains key risks faced by the Company that require Executive Committee or Board attention. The register is regularly updated and reviewed by the Board Audit and Risk Committee.

Managing risk

In the year under review, Airports Company South Africa has been mindful of the corporate strategy of building an efficient and customer-focused business. This has been addressed through matching key business objectives to the risks and opportunities that they present.

While it is incumbent on any organisation to increase shareholder value, that requirement carries associated risks. In the case of Airports Company South Africa, this has included operating for an extended, eighteen-month period with a depleted Board and the loss of two experienced executive directors halfway through the reporting period. Engagement with the Minister of Transport and his office resulted in the appointment of additional members to the Board of Directors from 1 March 2012. The appointment of executive directors is nearing conclusion.

The unfavourable regulatory regime continued to be a challenge for Airports Company South Africa in the year under review. Through engagement with relevant stakeholders and participation in the ministerial task team, some temporary relief was obtained in the resultant promulgated tariffs. In the long-term, the Company seeks to have the regulatory framework reviewed and a new funding model developed through continued engagement and consultation with stakeholders.

The continued successful growth of Airports Company South Africa is largely dependent on the creation of new revenue streams. The associated risks are the saturation of the South African commercial (non-aeronautical) revenue opportunities and the effect of the global economic situation.

Positive measures taken in the year under review to counteract these risks include the conclusion of the Guarulhos International

Airport concession bid and the Board's approval of the formation of two subsidiary companies. One of the new companies will focus on extracting maximum value from the Company's extensive holding in strategically positioned real estate at airport precincts. The other will leverage the Company's extensive pool of skills and experience through securing concession agreements and consultancies in airport development, management and operations in BRICS nations and selected African countries.

Emerging risks

Airports Company South Africa regularly reviews internal and external environments for factors that may cause risks for the business. Major emerging risks with a wider, potential and systemic impact on the Company in the forthcoming financial year are described below.

The continued sustainability and viability of airlines is identified as a major business risk, as any failure is likely to affect traffic volumes for Airports Company South Africa. The persistent high cost of fuel is the most aggravating factor and is beyond the influence of the Company. Ongoing stakeholder engagement will continue to address ways in which Airports Company South Africa can support this market segment.

Air traffic volumes may be affected by the disruption of the supply of aviation fuel, which is subject to a general shortage in South Africa, due to the dependence on a limited number of refineries and the fragility of supply mechanisms to the airports. As the major fuel consumer, O.R. Tambo International Airport has partially addressed this risk through the commissioning of additional storage facilities. However, further treatment of this risk will continue to be addressed through interaction with fuel suppliers and their logistics providers.

The inability to deliver on commitments at Guarulhos International Airport in Brazil to meet requirements for major forthcoming events, including the 2014 FIFA World Cup, could impact on the Company's reputation. This would also have a negative effect on the long-term strategy of Airport Management Solutions and, consequently, the non-aeronautical revenue of the Company. Tight deadlines and acclimatisation to a new environment and business partners present the most immediate challenges. These are already being addressed, in the main, through the allocation of an Airports Company South Africa team with key project management experience and specialised skills.

CORPORATE GOVERNANCE AND COMPLIANCE



Airports Company South Africa SOC Ltd is registered as a 'State-owned Company' as defined in the Companies Act, 2008 and is listed as a major public entity in terms of Schedule 2 of the Public Finance Management Act (PFMA). The Company's Governance and Assurance Framework includes the guardianship of standards and integrity, as well as a dedication to protecting the interests of all stakeholders.

The Company is committed to continually enhancing its corporate governance processes in line with best practice in a manner that facilitates the development and management of world-class airports. This is done whilst ensuring that operations are ethically conducted within the applicable regulatory framework.

The approach to corporate governance is based on six fundamental principles: accountability, transparency, responsibility, independence, ethical fairness and social development. These principles enhance the Company's values expressed in the acronym PRIDE (Passion, Results, Integrity, Diversity and Excellence).

Furthermore, there is a Code of Ethics and Business Conduct approved by the Board and monitored by the Audit and Risk Committee, as well as behavioural standards specified in an employee manual.

Board of Directors

The Board is responsible for setting the direction and strategy of the Company, as well as overseeing the planning, optimal allocation of resources, the maintenance of ethical business practices, effective risk management and communication with all stakeholders.

The composition of the Board for the year under review is as follows:

BA Mabuza Non-executive Chairman	Appointed 1 March 2012
R Morar Non-executive Deputy Chairman	Appointed 1 January 2012
MJ Janse van Rensburg Non-executive Director	Appointed 1 April 2010
E Masilela Non-executive Director	Appointed 1 January 2012
M Matsaba Alternate Non-executive Director to E Masilela	Appointed 1 January 2012
DS Macozoma Non-executive Director	Appointed 1 March 2012
MMT Ramano Non-executive Director	Appointed 1 March 2012
WC van der Vent Non-executive Chairman	Resigned 1 January 2012
A Kekana Non-executive Director	Resigned 1 January 2012
MW Hlahla Managing Director	Resigned 30 September 2011
BP Mabelane Finance Director	Resigned 31 August 2011

Independence of the Board

The independence of the Board is maintained by adhering to certain key principles:

- The shareholders at the Annual General Meeting ratify the appointment of the Board members for a fixed term
- The positions of Chairman and Managing Director are kept separate
- Both the Chairman and the Deputy Chairman are non-executive members of the Board
- Board committees are chaired by non-executive Board members, with the exception of the Executive Committee, which is chaired by the Managing Director.

Board Charter

The Board Charter and Terms of Reference define the framework, authority and parameters within which the Board operates. For ease of alignment and business interface with the Company, the Board invites selected executive managers to its meetings, whilst specifically reserving its right to meet without management's presence, when required. The Board is fully committed to maintaining the standards of integrity, accountability and openness required to achieve effective corporate governance. The Board Charter and Terms of Reference confirm the Board's accountability, fiduciary duties, the duty to declare conflicts of interest, the constitution of the Board committees and the relationship with Airports Company South Africa employees and management.

Furthermore, the Charter defines the Board's responsibility to:

- Report on integrated sustainability
- Promote a stakeholder-inclusive approach
- Monitor operational performance and management
- Confirm that the risk management process is accurately aligned to the strategy and performance objectives of the Company
- Ensure that all material risks are identified and that appropriate systems and processes are in place to manage the identified risks, in order to ensure that the Company's assets and reputation are protected
- Provide stakeholders with the assurance that all material risks are properly identified, assessed, mitigated and monitored
- Determine appropriate policies and processes to ensure the sound corporate governance of Airports Company South Africa.

Remuneration of the Board

The non-executive directors are remunerated on a basis as agreed by the shareholders at the Annual General Meeting, with the specific approval of the Minister of Transport. These directors are remunerated on the basis of a monthly retainer and Board and committee meeting attendance fees.

Details of the directors' remuneration are included in the notes to the annual financial statements. The Board meets formally at least four times a year to determine the strategic direction of the Company, as well as its business, operational, social and environmental objectives.

The Board sets broad policy, approves significant projects and deliberates on material aspects of the business. It also monitors the implementation of the objectives by executive management, in line with the Group's strategic objectives.

The Board has finance, audit, corporate governance and risk management skills and experience. It also incorporates skills and experience in property, commerce and general business, which all fit the Company's scope of operations.

The composition and number of non-executive directors ensures that their views carry significant weight in Board decisions. The directors have unfettered access to Company information and may seek independent professional advice when required.

The Company Secretary

The Company Secretary, who is appointed by the Board, ensures that the directors are aware of all laws relevant to, or affecting the Company, as well as sound corporate governance practices. The Company Secretary also offers the directors guidance on their duties and responsibilities and provides secretarial and administrative support to the Board and its committees. The directors have unrestricted access to the Company Secretary.

Board efficacy review

The Board operates with an established structure, which ensures that there are adequate processes in place to monitor its operations. The assessment of the effectiveness of both the structure and processes of the Board ensures the achievement of Airports Company South Africa's objectives, as well as maintaining sound corporate governance.

CORPORATE GOVERNANCE AND COMPLIANCE (CONTINUED)

Board meetings

Member	Special			Special	Special	Special	
	29 Jun 11	11 Aug 11	25 Oct 11				
W van der Vent	*	*	*	*	*	R	R
M Hlahla	*	*	R	R	R	R	R
M Janse van Rensburg	*	*	*	*	*	*	*
A Kekana	*	*	*	*	*	R	R
P Mabelane	*	*	R	R	R	R	R
B Maseko † Acting Managing Director	N/a	N/a	*	*	*	*	*
W Tlou † Acting Finance Director	N/a	N/a	*	*	*	*	*
R Morar	N/a	N/a	N/a	N/a	N/a	*	*
E Masilela	N/a	N/a	N/a	N/a	N/a	*	*
M Matsaba	N/a	N/a	N/a	N/a	N/a	*	A

*: Present R: Resigned N/a: Not applicable †: By invitation A: Apology

Board committees

Six committees, which report directly to the Board, have been established to focus on key functional areas where specialist expertise is required. With the exception of the Executive Committee, which is chaired by the Managing Director, all the committees are chaired by a non-executive director and their members are non-executive directors. Executives who are not members of a specific committee attend meetings by invitation.

To ensure that the terms of reference of the committees remain current and comply with best practice, they are periodically reviewed and, where necessary, amended.

In November 2010, the Board temporarily suspended the activities of all Board committees, with the exception of the Executive and the Audit and Risk Committees. The reason for the suspension of these committees was due to the relatively small size of the Board. The responsibilities of the respective suspended committees were taken up by the Board.

Both the Executive and the Audit and Risk Committees operated for the full year under review.

Following the appointment of the new Board members, the following committees will either be reinstated or constituted from May 2012:

- Treasury and Economic Regulatory Committee

- Commercial Committee
- Remuneration and Nominations Committee (a new committee)
- Social and Ethics Committee (a new committee).

Audit and Risk Committee

The Audit and Risk Committee meets at least quarterly to consider annual and interim financial statements, accounting policies and the safeguarding of assets, audit plans and the findings of external and internal auditors. This committee also monitors governance and ethical standards.

This committee also focuses on the management of enterprise-wide risks within the risk management framework.

All members of this committee, including the chairman, are non-executive directors. Both external and internal auditors have unrestricted access to the chairman and may meet privately with the committee when required, but formally at least once a year.

The Auditor-General also ratifies the appointment or reappointment (as the case may be) of the external auditors on an annual basis. Joint external auditors, PricewaterhouseCoopers and Ngubane & Co, were reappointed at the Annual General Meeting.

Attendance at Audit and Risk Committee meetings is shown in the table on the following page.



Audit and Risk Committee meetings

Member	Special				
	3 May 11	15 June 11	29 June 11	11 Aug 11	25 Oct 11
M Janse van Rensburg	*	*	*	*	*
A Kekana	*	*	*	*	*

Treasury and Economic Regulatory Committee

The role of this committee is to assist the Board in discharging its responsibilities relating to meeting PFMA and treasury regulations and requirements in performing the treasury function, to assume corporate accountability and associated risks in terms of treasury and to oversee the development and implementation of the Economic Regulatory Strategy and ensure compliance with economic regulatory and legislative requirements. The committee also applies specialist skills to investment, funding and budgeting requirements.

Commercial Committee

The Commercial Committee deals with the operation and development of ACSA's commercial and real estate business, including retail and advertising portfolios, in order to deliver customer service and increase shareholder value. The committee's main responsibility is to review and monitor the role, objectives and strategic plans of the commercial business unit, which contributes to ACSA's profitability.

Remuneration and Nominations Committee

This committee will be constituted from May 2012, following the Board decision to merge the functions of the Directors' Affairs Committee with that of the Human Resources, Transformation and Remuneration Committee.

The objectives of the committee will be to enable the implementation of a formal process of reviewing the balance and effectiveness of the Board, identifying the skills required, and to recommend to the Minister of Transport those individuals who possess these skills for appointment as executive and non-executive directors.

This committee also ensures that an adequate and appropriate succession plan is in place for directors and executives.

In addition, the committee provides guidelines and procedures to ensure that human resourcing and remuneration strategies are aligned to the Company's objectives, including addressing past workplace inequalities.

Social and Ethics Committee

This committee is a new requirement under the Companies Act 2008, and will take effect from 1 May 2012.

The primary functions of the committee are to monitor the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice with regard to:

- Social and economic development
- Good corporate citizenship
- The environment, health and public safety
- Consumer relationships
- Labour and employment
 - The Company's standing in terms of the International Labour Organisation protocol on decent work and working conditions
 - The Company's employment relationships, and its contribution towards the educational development of its employees
- To draw matters within its mandate to the attention of the Board as occasion requires
- To report, through one of its members, to the shareholders at the Company's annual general meeting on matters within its mandate.

CORPORATE GOVERNANCE AND COMPLIANCE (CONTINUED)



Executive Committee

The committee is accountable to the Board and the Managing Director, and assists the Managing Director to guide and control the overall direction of the business and acts as a medium of communication and co-ordination between the various business units and the Board.

Other governance-related matters

The Board also considers matters relating to procurement that are above the delegated levels of authority of executive management.

Compliance function

The main focus of the compliance function is to ensure compliance with Airports Company South Africa's compliance and regulatory universe. Its work is ongoing and geared towards ensuring that the Company is not adversely exposed to legal and compliance risks.

No material non-compliance of legislation or regulatory requirements has come to the attention of the Board.

Public Finance Management Act (PFMA)

The Board is the Accounting Authority in terms of the PFMA, in which Airports Company South Africa is listed as a schedule two public entity.

The PFMA focuses on financial management with related outputs and responsibilities.

Directors comply with their fiduciary duties as set out in the PFMA. The responsibilities of the Board, in terms of the PFMA, include taking appropriate action to ensure that:

- Economic, efficient, effective and transparent systems of financial and risk management and internal controls are in place

- A system is maintained for properly evaluating all major capital projects prior to making a final decision on each project
- Appropriate and effective measures are implemented to prevent irregular or fruitless and wasteful expenditure, expenditure not complying with legislation or losses from criminal conduct
- All revenues due to Airports Company South Africa are collected
- Available working capital is managed economically and efficiently
- The objectives and allocation of resources are defined in an economic, efficient, effective and transparent manner.

King Report on Corporate Governance for South Africa 2009 (King III)

Airports Company South Africa complies substantially with the provisions of King III, where possible, in light of the broader regulatory framework in which it operates. The results of such reviews are reported to the Audit and Risk Committee.

Promotion of Access to Information

Airports Company South Africa complied with the requirements of the Promotion of Access to Information Act of 2000, and the information manual is available on the Company's website and intranet.

Airports Company Act and Companies Act

For the period under review, Airports Company South Africa has substantially complied with both the Airports Company Act, 1993, and the Companies Act, 2008.

Code of conduct

Airports Company South Africa has updated its code of conduct for all employees and consultants and it is in the process of being rolled-out.

Risk management

An integrated risk management strategy and process is one of the Company's key focus areas. Risks and opportunities, against business objectives, are identified during risk assessments. Risk integration between airports and business units is reviewed by various committees to ensure a co-ordinated approach to risk mitigation measures.

Airports Company South Africa's philosophy regarding risk management is conservative, with a low appetite for risk, as well as low tolerance levels, in the interests of preventing shareholder value erosion.

The Executive Committee is accountable for the implementation of risk management and its accountabilities in this regard are:

- To set and direct risk management frameworks and standards
- To reinforce accountability for risk controls
- To evaluate the effectiveness of the risk management framework
- To participate in strategic risk assessments
- To establish the Airports Company South Africa risk profile
- To evaluate risk management performance.

The Company continues to effectively manage all material risks with frequent reports to the Board and committees.

Internal audit

Internal controls comprise the methods and procedures implemented by management to achieve the objectives of safeguarding Company assets, efficient and effective employment of resources, the prevention and detection of errors and fraud, ensuring the accuracy of accounting records and the timely production of reliable financial and operational information.

The Board is responsible for the design, implementation and maintenance of appropriate internal controls in mitigation of the inherent risks of the Company.

The Internal Audit function, whose independence is ensured through a functional reporting line to the Chairman of the Audit and Risk Committee, examines and evaluates the Company's activities, with the objective of assisting executive management and the Board in the effective discharge of their responsibilities. The other major areas of activity are monitoring the system of internal controls as elaborated above, identifying and reporting on error, fraud and discrepancies, and monitoring corporate governance.

The mandate of the Internal Audit function is to independently appraise the appropriateness, adequacy and effectiveness of the Company's systems of internal controls and reporting on these to management and the Audit and Risk Committee. The three-year, risk-based audit plan covers major risks emanating from Airports Company South Africa's integrated risk management process. The audit plan covers an equal balance of operational and financial risks.

The audit plan is approved by the Audit and Risk Committee and reviewed annually, based on changes to the Company's risk profile, as this ensures that the audit coverage is focused on identifying high-risk areas.

Nothing has come to the attention of the Board to indicate that there are any material breaches in controls in the year under review.

Ethics

Airports Company South Africa employs a number of tools to ensure that the business operates in an ethical environment and is able to effectively combat fraud. These are:

- An established Code of Ethics and Business Conduct
- A Fraud Prevention Policy and a Fraud Response Plan
- An anonymous tip-off hotline, available for use by employees and stakeholders to alert the organisation to any fraudulent or unethical conduct or any breaches of the Code of Ethics and Business Conduct.

These tools are enabled through a continuous awareness process to which all areas of the business are exposed.

An organisation's compliance and ethics programme must evolve as the business's regulatory and economic conditions transform. Airports Company South Africa is no exception and is now progressing to more mature processes with the key goals of:

- The provision of training to enable the assessment of the proficiency levels of the organisation relating to ethics
- Enhancing the current Fraud Prevention and Response Policy and Plan to warrant that it is reflective of the changing environment.



FINANCIAL AND OPERATIONAL REVIEW

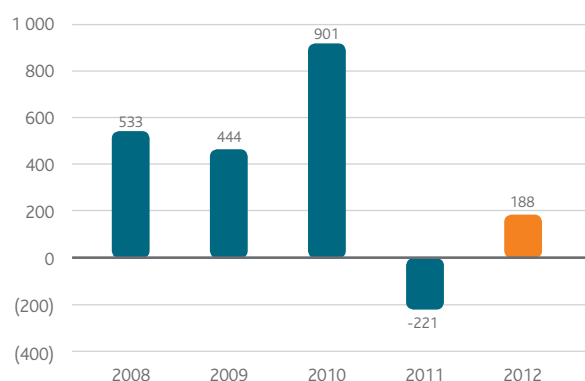
FINANCIAL REVIEW

Overview

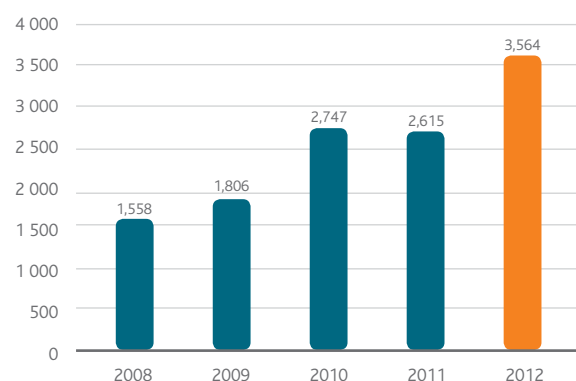
The Group posted a R188 million profit for the financial year ended 31 March 2012. This is a significant improvement when compared to the prior year's first-ever loss of R221 million. The recovery profit is, however, still not at the levels that were

experienced in the years prior to 2011. The results in the 2012 financial year are driven primarily by the increase in aeronautical revenue as a result of the tariff increase of 34,8 percent recovered from 1 October 2011. This increase in revenue was eroded by the high financing costs, which peaked in 2012 at R2,034 billion.

Profit/(loss) after tax (R million)



EBITDA (R billion)



	GROUP	
	31 March 2012 R'000	31 March 2011 R'000
VALUE ADDED		
Value added by operations	4 183 677	3 318 222
Sales of goods and services	5 738 543	4 658 239
Less: Cost of goods and services provided	(1 554 866)	(1 340 017)
Value added by investing activities	249 135	479 447
Finance income	47 133	32 597
Fair value movement	1 534	379 703
Other income	200 468	67 147
Total value added	4 432 812	3 797 669
VALUE DISTRIBUTED		
Distributed to employees	(769 481)	(714 163)
Distributed to providers of capital – finance costs	(2 081 460)	(1 848 268)
Distributed to government	(25 682)	(38 692)
Income tax expense	(25 682)	23 104
Capital gains tax	–	(61 796)
Value reinvested	(1 368 616)	(1 417 076)
Depreciation and amortisation	(1 463 804)	(1 445 228)
Capitalised interest	–	28 687
Deferred taxation	95 188	(535)
Total distributions	(4 245 239)	(4 018 199)
VALUE RETAINED		
Income (retained)/utilised in the business	(187 573)	220 530
Retained profit	(187 573)	220 530
Minority interests	–	–
Total (retained)/utilised for investment	(187 573)	220 530
Total value distributed and retained	(4 432 812)	(3 797 669)

FINANCIAL REVIEW (CONTINUED)

The Eurozone debt crisis continues to have a negative impact on the overall traffic performance, particularly international traffic, and as a consequence, the revenue increase from international traffic was moderate, and lower than expected.

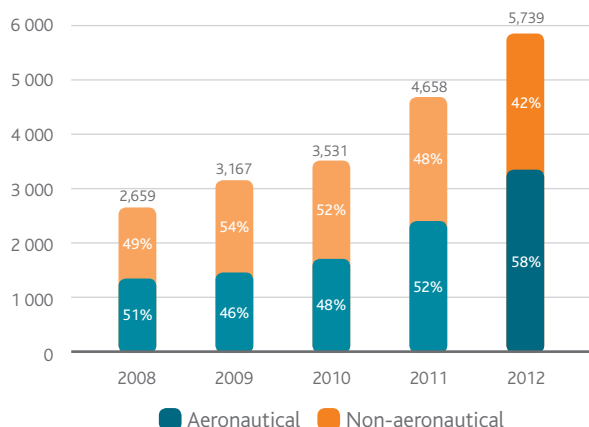
The Group still strives to create value for all its stakeholders. The value added is the measure of wealth the Group has created in its operations by adding value to the cost of services. The Value Added Statement on the preceding page summarises the total wealth created and shows how it was shared by employees and other parties who contributed to its creation. Also set out on the previous page is the amount retained and re-invested in the Group for the replacement of assets and the further development of operations.

Revenue and traffic trends

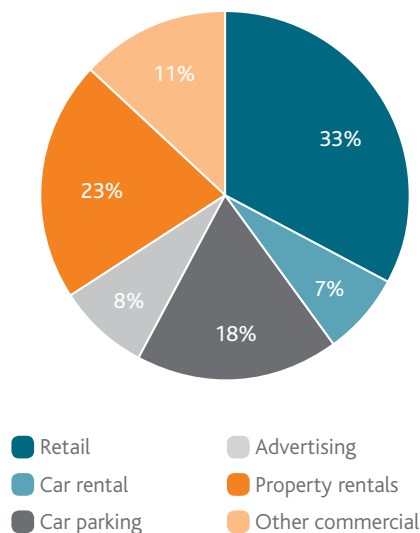
The Group revenue comprises both aeronautical and non-aeronautical revenue streams. The aeronautical revenues are derived from regulated income, which includes a passenger service charge, and aircraft landing and parking charges. Non-aeronautical revenue is derived from the Group's commercial activities and comprises mainly of property rentals, retail, car rental, car parking and advertising.

Total revenue for the year ending 31 March 2012 increased by 23 percent to R5,738 billion (2011: R4,658 billion). This represents a 38 percent increase in aeronautical revenue to R3,350 billion (2011: R2,430 billion) and seven percent in non-aeronautical revenues to R2,389 billion (2011: R2,228 billion). Non-aeronautical revenues continue to contribute positively to the Group; in the 2012 financial year, the contribution from non-aeronautical revenue to total revenue was 42 percent (2011: 48 percent).

Total revenue (R billion)



Non-aeronautical revenue



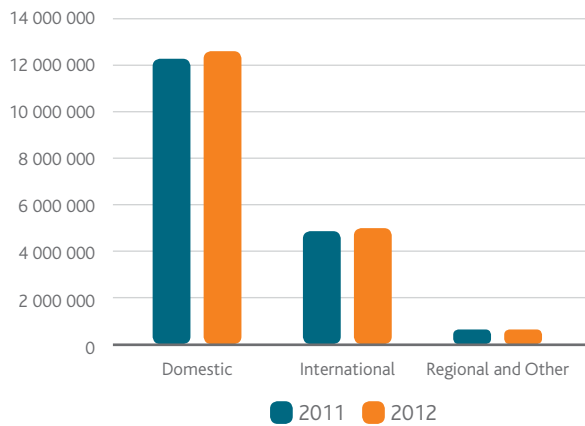
Aeronautical revenue

The increase in aeronautical revenue of 38 percent (R920 million) is due primarily to the increase in overall traffic of three percent and the increase in tariffs. The allowed increase per the 2011-2015 permission cycle was an annual increase of 34,8 percent. However, as there were delays in the promulgation process, the tariff was implemented later than anticipated, on 1 October 2012, and hence was doubled to 69,6 percent due to the recovery of revenue foregone for the first half of the financial year.

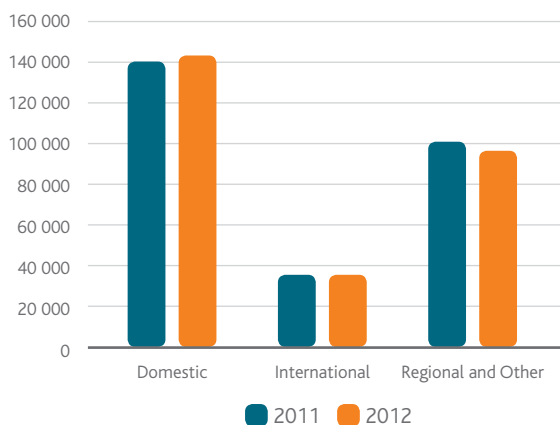
Traffic trends

The Group experienced a moderate upswing in total departing passengers for the period under review, with traffic for the 2012 financial year ending three percent higher than the previous year. In the year under review, 17,9 million passengers (2011: 17,5 million) departed from the Group's network of airports. Aircraft landings declined by one percent to 272 320 (2011: 274 292). International passenger traffic increased by two percent and international aircraft landings increased by one percent when compared to that of the prior year. Domestic passengers, who constitute 70 percent of the total passenger traffic, increased by three percent and related aircraft landings increased by two percent as compared to the previous period. Regional passengers increased by six percent, while related aircraft movements (landings) increased by five percent when compared to the 2011 financial year.

Passenger traffic



Aircraft landings



Non-aeronautical revenue

Non-aeronautical revenue continues to serve as a stable and growing revenue stream, with the increase being driven by both traffic growth and customer spend. In addition, new lease contracts concluded with our new customers are underpinned by strong minimum rentals, which protect the Group from downside risk associated with lower traffic volumes.

Core retail

Retail revenue, adjusted for straight-lining of lease income of R32 million (2011: R20 million), grew by 7,3 percent (2011: 19 percent) to R758 million (2011: R706 million). This growth is in fact much higher (12,1 percent) if the impact of the 2010 FIFA World Cup in the prior year's revenue is excluded. The growth in retail revenue is attributable to the annual rental escalation in on-going leases, an increase in passengers and weakening foreign currencies.

Trading conditions remain lacklustre, with the spend by international passengers, who contribute over 65 percent of revenue, only growing by 2,3 percent. A major portion of this passenger growth occurred at Cape Town International Airport, at which the spending opportunities are far less than at O.R. Tambo International, where spend per passenger at the international airside duty-free mall remained flat at around US\$48.

The focus during the coming year will be on planning and implementing the upgrade and improvement of the duty-free mall at O.R. Tambo International, which is expected to be completed by the end of 2013. The core duty-free stores at O.R. Tambo and Cape Town International Airports will also be revamped. In addition, kiosks will be placed in strategic passenger flow routes to drive up impulse spending.

Retail marketing will be focused on completing the digital suite of solutions required to run multi-level marketing campaigns to increase the reach and return of retail initiatives, both immediately and into the future.

The development of the business lounge white label strategy, which runs off a tablet-optimised version of the e-commerce website, has been completed for roll-out in 2012/13. This seeks to target the business passenger with a convenience proposition inside the business lounges.

Despite the difficult trading year, in which passengers from major economies were still struggling to overcome the effects of the recession, passengers were engaged on their preferred terms and maintained the level of average spend per passenger within Duty Free.

Car parking

The financial year under review is the first normalised year after the refurbishment of the airports. Parking income increased slightly by five percent to R435 million (2011: R409 million) against an overall growth of 2,5 percent in departing passenger numbers over the review period.

O.R. Tambo International managed to equal its 2011 financial year performance of R235 million. Despite the 1,7 percent growth in passengers, parking was adversely affected by the opening of the Pretoria and Rosebank links of the Gautrain, causing an estimated monthly reduction in parking income of

FINANCIAL REVIEW (CONTINUED)

approximately seven percent, which has stabilised since opening the extended line in June 2011. It still remains uncertain what effect the tolling of the access routes to O.R. Tambo International will have, once implemented.

Cape Town International achieved a 12 percent growth in revenue, despite a moderate growth in passengers of only 4,6 percent. The growth was mainly due to the reconfiguration of product offerings, including the introduction of long-stay parking.

King Shaka International posted a three percent growth in revenue, year-on-year, against passenger growth of 3,4 percent. The introduction of reconfigured product offerings and traffic control should improve the performance.

Domestic airports performed exceptionally, with a revenue growth of 33 percent, whilst passenger numbers were constant. Improved parking management measures and moderate tariff increases reflect in the results.

All airports achieved real parking revenue growth despite low growth in passengers and a stressed global economy. Parking revenue growth has been achieved through tariff increases, passenger growth and management interventions.

Car rental

Car rental revenue grew by six percent (2011: 10 percent) to R154 million (2011: R145 million) after adjusting for straight-lining of leases totaling R8 million (2011: R14 million). The annual escalation of eight percent was offset by lower turnover of top-up rentals, caused largely by passengers using the Gautrain. The growth rate over the prior year was negatively impacted by the inclusion of additional turnover rental during the 2010 FIFA World Cup.

Passengers using the Gautrain are on the increase now that the lines to Rosebank and Hatfield have been opened and will further increase once the Park Station line is commissioned. The delay in the Gauteng toll roads will benefit car rental users, but once implemented will result in users reviewing their transport options, and this may well have a negative impact on revenue.

Advertising

Advertising revenue declined by 18 percent (2011: +46 percent) to R186,5 million (2011: R228 million) after adjustment for negative straight-lining of R2,7 million (2011: R5 million).

The reduction was due to the normalisation of revenue after the 2010 FIFA World Cup. Further to this, the official FIFA commercial partners, i.e. MTN, Coca-Cola and Visa, reduced their advertising spend with both MTN and Coca-Cola withdrawing completely from the airports. Standard Bank, which has exclusive advertising inside the Gautrain station, reduced their advertising budget by half after the World Cup.

Maintenance of pre-World Cup advertising rates has been difficult as market demand has reduced and concessionaires have had to offer reduced rates. This situation is prevalent across the world's airports, with reducing rates and returns. Advertising is becoming extremely competitive with new opportunities, especially on-line advertising, forcing down rates despite any increase in passenger numbers.

Exposures

In the year under review, the City of Cape Town served notices of non-compliance of billboards to bye-laws by advertisers, resulting in removal of advertising and a loss of revenue. Subsequent discussions between the City and Airports Company South Africa resulted in the withdrawal of these notices. A similar challenge is being faced at King Shaka International with Ethekwini Municipality. Should engagements with the two municipalities not resolve the situations, there would be a potential annual loss of R14 million.

Strategic initiatives for the coming year

The strategy for the coming financial year is to segment the advertising portfolio into advertising zones (such as domestic arrivals, external sites, etc.), each of which will be awarded to a single concessionaire through a tender process. This will allow the concessionaire to reformat advertising into large, impactful, value-enhanced sites.

The division is finalising the advertising website, which will assist in the positioning of airport advertising as the brand positioning area of choice. The website will educate and inform current and prospective advertisers on the airports and their offerings, and will assist advertising concessionaires to access both local and international markets.

Airport TV

Television leads the advertising industry, with a 46 percent market share, and Airports Company South Africa, together with a concessionaire, will be introducing Airport Television in the forthcoming financial year. The transmission will incorporate

news, current events, and traffic and weather reports, with advertising being sold in loops alternating with content. The television screens will be positioned at strategic positions to ensure maximum viewership.

Property

The Group property income, excluding the straight-lining of leases of R24 million, (2011: R44 million), grew by 15 percent to R617 million (2011: R538 million).

In analysing the reasons for growth in the 2011/12 financial year, it must be acknowledged that a full year's income has been recognised from the new developments at King Shaka and Cape Town International Airports for the first time since their completion. In addition, positive cash flow from short-term, income-generating initiatives at the Durban International site, growth in rentals from renewing leases, re-letting vacant space and contractual rental escalations have had a positive influence on growth. At Cape Town International Airport, R26 million was earned as fees on facilitating the cession of long-term leases between developers for parts of Precinct 2, further boosting the performance of the portfolio.

The focus in the year under review was on optimising occupancy and negating vacancies, making a concerted effort to retain quality tenants. Of concern was the emergence of available new office and industrial space at highly favourable terms in areas surrounding O.R. Tambo International. Thus, to have successfully retained reputed tenants under trying conditions and without sacrificing the average rental rate is satisfying. It further confirmed that the airport, and airports in general, are locations of choice.

The portfolio's office vacancy is estimated at nine percent, which although higher than the norm for Airports Company South Africa, is still fractionally lower than the ten percent estimated for the market.

The existing lease with Denel, due to expire in September 2012, has been renegotiated and Denel will lease approximately 138 hectares of the property. This will release to Airports Company South Africa about 100 hectares of developable land with the potential for 58 000m² of buildings. The process of enabling this land is in progress and the proclamation and record of decision on the environmental impact assessment are expected by the last quarter of 2012.

The old Durban International Airport site generated income of approximately R17 million in the 2011/12 financial year from ad hoc, short-term rentals. Agreement was reached with Transnet in March 2012 for the sale of the property at a price of R1,85 billion. The sale has been approved by the Competitions Commission.

During the year under review, Airports Company South Africa began the process of unbundling its non-aviation property assets through the proposed creation of a new subsidiary, 'PropCo'. Whilst still subject to the necessary Board and statutory approvals and stakeholder acceptance, it was felt opportune to create a suitably focused and commercially agile entity to better optimise the Group's previously dormant properties (land and buildings). The newly formed company (anticipated to be fully operational in 2013) should be well positioned to accelerate earnings for the Group.

An intensive marketing drive in Bloemfontein has resulted in three developments, from conventional warehousing, through offices to a medical step-down facility, being planned for the forthcoming year. Likewise, at Cape Town International Airport, the industrial 'Precinct 3' has now been formally zoned and land enablement will begin to release much needed land for development in the region. In contrast, the market in Port Elizabeth shows no sign of any recovery, as evidenced by the failure to draw any response to an initiative to attract development on prime land at the airport.

Finally, the Ekurhuleni Metro Municipality's (EMM) marketing of its plans for an 'Aerotropolis' in Gauteng are embraced with enthusiasm and optimism. The Property division is liaising with the planning team assembled by the EMM to ensure that both the metro and O.R. Tambo International Airport benefit from development plans.

Airport Management Solutions

During the reporting period, Airport Management Solutions (AMS) successfully participated in an airport privatisation bid for an airport in Brazil. The bid to develop, maintain and operate Guarulhos International Airport, São Paulo, which handles approximately 30 million passengers per annum, was won by a consortium consisting of Airports Company South Africa and a Brazilian partner, Invepar, who together own 51 percent of the concessionaire vehicle. Infraero, the Brazilian airports authority, holds the balance of 49 percent. The Airports Company South

FINANCIAL REVIEW (CONTINUED)

Africa equity interest in the consortium is 10 percent, equating to 5,1 percent of the total project. In addition, Airports Company South Africa will be appointed as airport operator for five years through a Technical Services Agreement.

This 20-year concession is to develop, finance, operate and manage Guarulhos International Airport in compliance with prescribed service standards, as well as satisfying safety and security requirements. The concession agreement and related project documentation is expected to be signed in June 2012, paving the way for the site take-over. Infrastructure developments will begin shortly thereafter and the concession company will subsequently take over the role of airport operator. The viability of the concession is underpinned by the realisation of the successful implementation of the airport's commercial plan to enable payment of concession fees and generate acceptable shareholder returns.

The Brazilian Government, through the conceding authority, will receive Brazilian (Reals: BR) BR16,2 billion in concession fees over the 20-year concession period and these will be paid from the trading income. The concessionaire is expected to deliver the first phase of specific mandatory capital projects within 22 months from the execution of the concession contract, amounting to BR1,5 billion. These projects will develop the infrastructure and enable the delivery of significantly improved levels of service to travellers.

Airports Company South Africa has also been instrumental in efforts to unlock an airport rehabilitation project in Kinshasa, Democratic Republic of the Congo (DRC). During the past financial year a technical team, together with external consultants, undertook several visits to Ndjili International Airport with a view to developing and quantifying an infrastructure rehabilitation programme, estimated at US\$85 million. The DRC Government and the Development Bank of Southern Africa (DBSA) are at an advanced stage of negotiating the funding. Airports Company South Africa's role will be to assist in compiling a development framework and partaking in the project review and supervision that will follow the start of the project.

In an effort to support international airport investment activities, and thereby diversify Airports Company South Africa's earnings, the Board recently approved the formation of an independent

and wholly owned subsidiary. The rationale behind the decision was to increase the agility and responsiveness required to pursue airport concessions, management contracts and technical consultancy opportunities. This subsidiary is expected to be operational from the third quarter of 2012, once all internal and regulatory approvals have been successfully obtained.

Airport Management Solutions continued to forge partnerships with various stakeholders and prospective clients. The division hosted a senior delegation from the Federal Airports Authority of Nigeria (FAAN) on a fact-finding mission. The division also hosted a delegation from the Indonesian airports authority with a specific focus on international benchmarking.

Chhatrapati Shivaji International Airport, Mumbai, India

Chhatrapati Shivaji International Airport in Mumbai once again experienced robust traffic growth in the last financial year, with passengers exceeding 30 million, a 5,8 percent growth over the previous year. By increasing its market share of cargo handled through the airport, the company increased its cargo handling volumes by 8,3 percent to 390 000 tonnes.

Revenue increased over the previous financial year by 11,4 percent, supported in particular by growth in non-aeronautical revenue of 16 percent. As a consequence of aeronautical tariffs not being increased, pending the regulator's decision on the multi-year tariff application, and expenses being incurred in respect of the new terminal under construction, profit after tax decreased by seven percent, compared to the previous financial year, to R277 million. To date, Airports Company South Africa has contributed some R200 million to the investment, including bid costs, and has received, from airport operator, consultancy and transaction facilitation fees, R140 million, leaving a net investment of R60 million. The value of the investment is estimated to be in the order of ten times this figure.

The redevelopment of the airport is currently estimated to cost in excess of R18 billion. A substantial portion of this is being spent on a new, 45-million passengers per annum integrated terminal. The first phase, for international passengers, is scheduled for completion by the last quarter of 2013 and the next phase, which will include facilities for domestic passengers, a year later.

Airports Company South Africa has now supported the management of the airport for six years and, in particular, has played a leading role in the runway and taxiway reconstruction and improvement. This was completed in the financial year under review and was performed under extremely demanding operational conditions.

Operating expenses

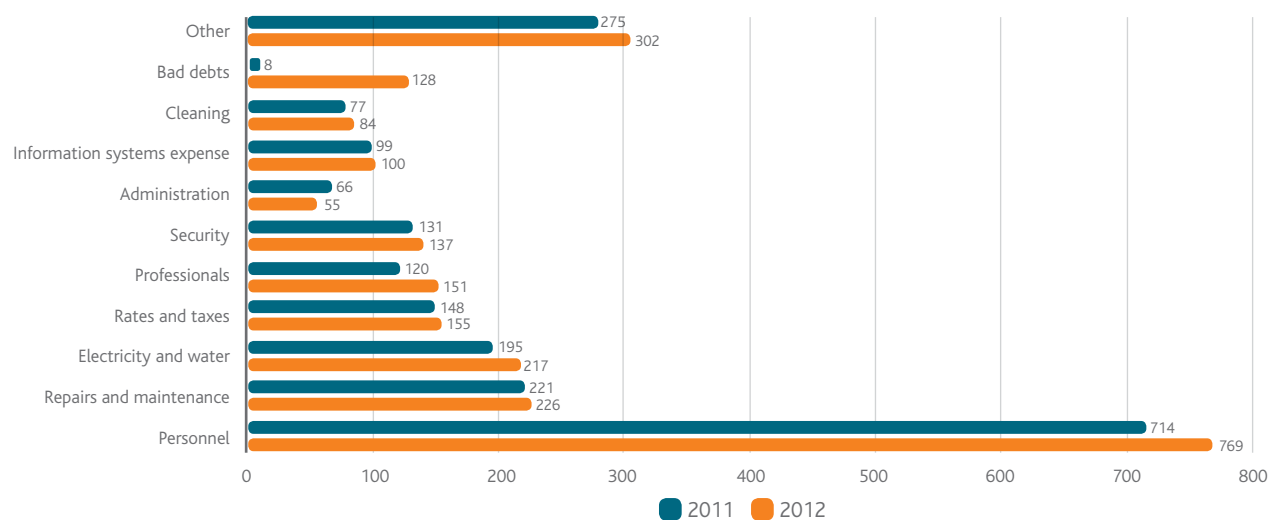
Total operating expenses increased by 16 percent to R2,325 billion (2011: R2,054 billion) mainly due to inflationary costs associated with additional capacity now in operation. The Group continues to focus on managing discretionary expenses and processes are constantly reviewed to reduce cost and enhance efficiency. The major categories of costs are reflected in the figure below.

Debt and financing costs

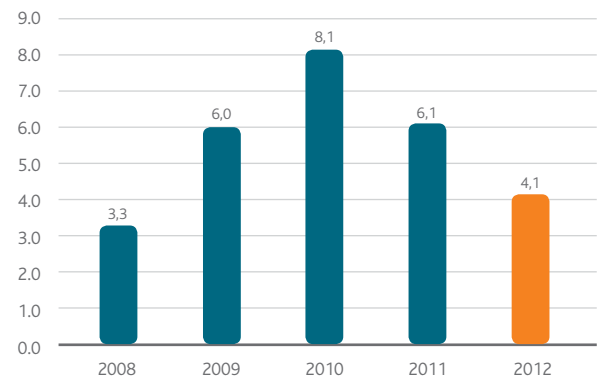
Total interest-bearing borrowing debt for the Group at the end of the financial year was R16,7 billion (2011: 16,6 billion). The debt raised is mainly long-term and in line with the maturity profile of the assets that were constructed during the period from 2006 to 2011. More than 60 percent of the debt has maturity periods greater than five years and total debt redemption is less than R2 billion per annum in any given year. Accordingly, the Group has a fairly stable balance sheet and very strong liquidity.

The return to profitability in the 2012 financial year improved the Group's credit metrics with net debt to EBITDA improving to 4,1x (2011: 6,1x) and EBITDA interest coverage increasing to 2,3x (2011: 1,7x).

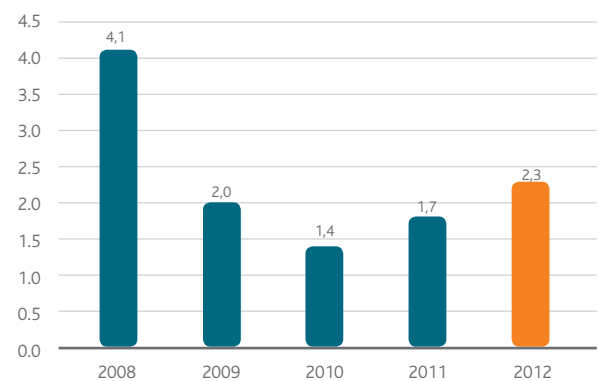
Operating expenditure (R'million)



Net debt to EBITDA



EBITDA interest coverage



FINANCIAL REVIEW (CONTINUED)

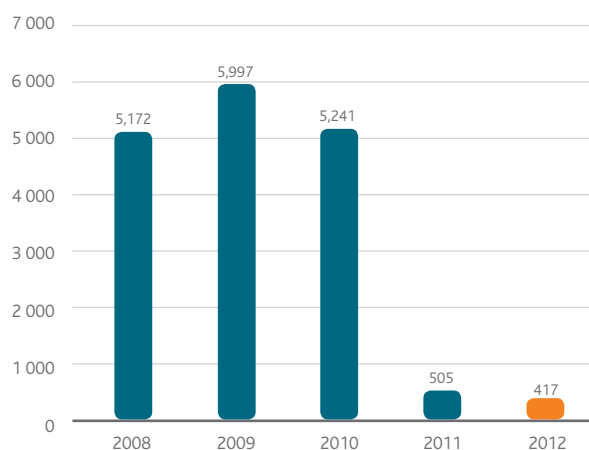
The financing cost associated with the borrowings to fund the capital expenditure programme has a major impact on earnings before tax. The financing cost for the year ended 31 March 2012 was R2,034 billion, which is an increase of 14 percent compared to that of the prior year.

The weighted average cost of borrowings increased from 9,26 percent to 9,86 percent in 2012. This is largely driven by additional borrowings of R1,950 billion from Agence Française de Développement (AFD) at a rate of 10,55 percent. The AFD loan matures in 2026 and was raised to replace short-term commercial paper. The financing costs were further exacerbated by the fair value loss on interest rate swap contracts entered into during the 2009/10 financial year. The loss realised on these contracts was R463 million (2011: R280 million). Part of the fair value loss of R40 million was deferred to equity as the Company designated the interest rate swap contract on the Nedbank loan of R1,750 billion and the swap contract on the Infrastructure Finance Corporation Limited (INCA) loan of R250 million as cash flow hedges on the underlying loans. The cash flow hedging relationship arises as the interest rate payable on these varies with the three-month Johannesburg Inter-bank Agreed Rate (JIBAR) and the Group then swapped this variable component for a fixed interest rate.

Capital expenditure

Following the completion of the major capital investment programme in the 2011 financial year, the capital expenditure for the 2012 financial year was limited to refurbishment and replacement projects with no new capacity projects. This limitation was also in light of the uncertainties with respect to the economic regulatory framework.

Capital expenditure



The reduced capital expenditure is primarily due to savings on projects at O.R. International Airport, specifically apron rehabilitation. A strategic decision was taken to appoint a panel of consultants to design the pavement rehabilitation works for the national airports. As a consequence, the construction commencement on these projects was delayed.

Financial position

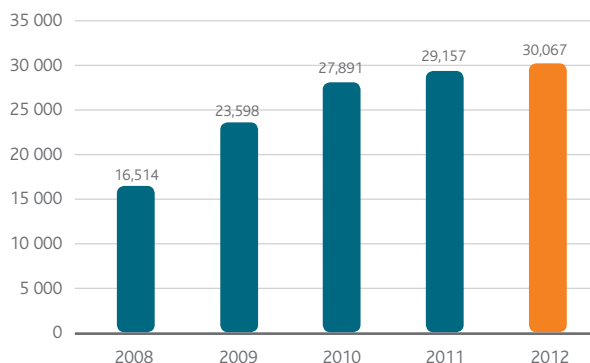
Non-current assets

The Group's non-current assets decreased by 10 percent to R25 billion (2011: R27 billion). The decrease is as a result of the reclassification of investment properties pertaining to the Durban International Airport site, which has now been classified as an asset held for sale following an agreement of sale concluded before the end of the financial year.

Current assets

The Group's current assets increased from R1,799 billion to R3,622 billion. This increase is mainly due to an increase in cash and cash equivalents as a result of positive cash generated by the business, as well as short-term investment of the advance payment of R1,2 billion received for the sale of the Durban International Airport site. The increase in cash and cash equivalents supports the Group's financing strategy to hold sufficient cash and committed credit lines to cover at least 12 months funding requirements.

Total assets



Non-current liabilities

The Group's non-current liabilities increased by five percent to R16,9 billion (2011: R16,2 billion). This increase is mainly attributable to a ten percent increase in interest-bearing borrowings from R14,3 billion to R15,6 billion, this being slightly offset by a sixty percent decrease in the derivative financial instruments from R509 million to R195 million.

Current liabilities

The Group's current liabilities increased by 0,09 percent to R3,384 billion (2011: R3,380 billion). The increase is mainly attributable to an increase in deferred revenue of R1,2 billion, representing the proceeds from the sale of the Durban International Airport site. The increase is slightly offset by the short-term commercial paper that was repaid in the current financial year and replaced with the funding from L'Agence Francaise de Developpement (AFD).

Ratings

On a positive note, the Fitch Rating Agency revised Airports Company South Africa's rating outlook from 'stable' to 'positive' and affirmed the national long-term rating and domestic medium-term note (DMTN) programme rating at 'AA-(zaf)'. Fitch also affirmed the national short-term rating at 'F1+(zaf)'.

Cash position

Airports Company South Africa retains a strong cash position, well above the minimum required level for debt service cover ratios, as defined in the loan agreements.

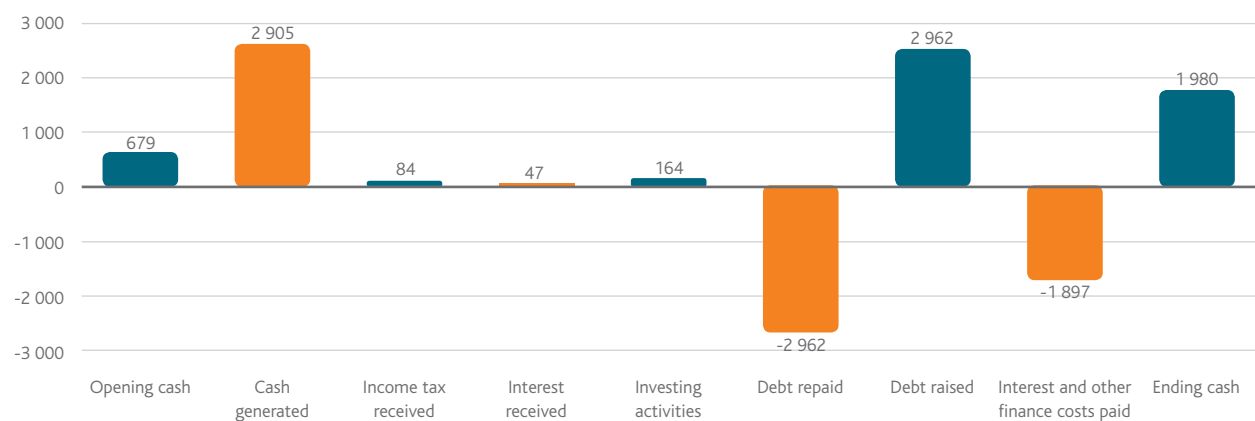
The Group generated cash from operations of R2,9 billion (2011: R1,7 billion), mainly as a result of the increased revenue. The cash generated was used to pay interest and other finance costs of R1,9 billion and the balance used for repayment of maturing debt and funding of capital infrastructure.

The 'AA-(zaf)' rating reflects a combination of a reasonably strong asset profile and a leverage level (net debt/EBITDA) which peaked at over six times during the period from 2009 to 2011, as the ambitious capital expenditure programme coincided with the world economic recession.

Economic regulation

The developments in economic regulation are encouraging. The Department of Transport has developed a 'roadmap', which includes the formation of a Steering Committee, represented by industry stakeholders, to develop regulations and a funding model that will ensure predictability, sustainability, transparency and balance within the economic regulatory framework. This is indeed a most welcome development as the current regulations, which largely required the Company to pre-fund its capital expenditure programme, had an unintended consequence of eroding the Company's returns.

Cash position development (R million)



FINANCIAL REVIEW (CONTINUED)



Procurement

Central to Airports Company South Africa's Procurement Policy is the Black Empowerment Strategy, underpinned by five of the six elements of the Broad-Based Black Economic Empowerment (B-BBEE) Public Sector Scorecard. This is the basis for the Company's verification and provides impetus for supplier empowerment and socio-economic transformation.

The Group has maintained its level 3 B-BBEE contributor status for the second year in a row, which allows vendors and stakeholders to claim 110 percent Procurement Recognition Level for every Rand spent with Airports Company South Africa.

Preferential Procurement, Enterprise Development and Corporate Social Investment will remain a primary focus within Procurement activities to enable transformation. Procurement initiatives are aimed at exploiting opportunities for Black suppliers, especially within maintenance, professional services, capital expansion programmes and retail opportunities.

New focus areas for Procurement in the coming year, in accordance with the Public Transport Charter, are:

- The promotion of Exempted Micro Enterprises * (EMEs) and Qualifying Small Enterprises † (QSEs) in the Company's procurement opportunities and processes. The Company's Shared Service Centre (SSC) will be the lead agent in promoting business opportunity availability for small enterprises

- Training and development of EMEs and QSEs will be undertaken to equip them with the necessary skills to effectively manage the ramifications of doing business with a large organisation
- Procedures will be refined to ensure that EMEs and QSEs are paid within thirty days
- A database is in the process of being created to identify and qualify small businesses that have the potential to participate in ACSA procurement opportunities.

* Exempted Micro Enterprise (EME) is one that is exempt from measurement in terms of the B-BBEE scorecard and qualifies as a 100 percent contributor towards B-BBEE or 110 percent in the case of Black ownership of 50 percent and more.

† Qualifying Small Enterprise (QSE) is one that has an annual turnover of between R5 million and R35 million.

Both enterprise categories are designed and intended to encourage and promote the creation and success of small, entrepreneurially-inclined businesses with associated job creation benefits. Airports Company South Africa fully supports this intent and is developing the necessary infrastructural components to support and encourage the programme.



AIRPORT OPERATIONS



Airport Planning

Over the past decade, the Company's network of airports carried the soubriquet 'permanent construction sites' as a result of seemingly unending infrastructure upgrades, necessitated by ever-growing air traffic.

During the financial year, the Group reviewed its requirements and decided to continue with the postponement of major new capacity infrastructure developments. The next significant enhancements are now only expected to be brought into operation in the last quarter of the decade. This has been driven primarily by the world economic downturn and the concomitant revision of passenger growth expectations.

The Group is now in a phase where utilisation of assets must be maximised before significant investment can be made in further capacity. To this end, Airport Planning established several internal interactions and forums resulting in the exchange of operational information, survey work and the standardisation of modelling efforts where appropriate. This culminated in a broad capacity outlook for the business, disseminated in mid-2011.

Planning in the next financial year will focus on the assembly, in conjunction with users, of an optimum development programme. Specific studies would include recommending planning and conceptual designs for the midfield site at O.R. Tambo International Airport. Furthermore, the Board of Directors took a decision in June 2011 to continue with the environmental approval process for the development of a realigned runway at Cape Town International Airport.

Projects

In terms of minor projects, during the reporting period Airports Company South Africa expended R417 million on capital projects.

Planning commenced for refurbishment of runways and taxiways at Cape Town and Bloemfontein International Airports and at Kimberley and George Airports. Refurbishment of the runway and associated taxiways at East London Airport to the value of R168 million commenced during December 2011.

At O.R. Tambo International Airport, refurbishment of taxiways to the value of R50 million was completed in the review period and construction commenced with apron refurbishment.

During the last quarter of the review period, preparatory work commenced for the development of a five-year infrastructure development plan, aligned with requirements for the Company's Permission Application for 2013/14 to 2017/18 due for submission in the latter part of 2012.

The period under review has enabled focus on improving utilisation of the facilities and the ongoing attention to passenger service, which has been recognised internationally through the winning of more awards. Impressive on-time performance statistics clearly demonstrate the effective integration of the processes, procedures and systems that interact to achieve these results as outlined on the following page.

Airport	Financial year	Total movements	Total passengers	On-time target	On-time performance	Total load factor
Cape Town International	2009/10	73 200	7 799 252	85%	86,08%	75%
Cape Town International	2010/11	74 598	8 225 422	86%	84,97%	76%
Cape Town International	2011/12	78 333	8 576 709	87%	86,81%	75%
Durban International	2009/10	48 291	4 396 411	89%	90,29%	74%
King Shaka International	2010/11	49 725	4 886 552	89%	84,21%	75%
King Shaka International	2011/12	50 264	5 040 094	89%	87,74%	78%
O.R. Tambo International	2009/10	178 388	17 501 932	80%	83,03%	69%
O.R. Tambo International	2010/11	186 108	18 664 728	80%	82,71%	69%
O.R. Tambo International	2011/12	185 028	19 004 001	85%	83,79%	72%

O.R. Tambo International Airport

This remains the busiest airport in Africa, even though the past financial year was a tough period from a traffic growth perspective. Air traffic movements remained flat over the previous financial year and passenger traffic increased by 1,8 percent. The global economic woes, aggravated by rising fuel prices, resulted in the termination of services of one local and several international airlines.

In October 2011, O.R. Tambo International welcomed the first Emirates Airbus A380 flight to Johannesburg, the third airline to operate the A380 to Johannesburg after Air France and Lufthansa. Over the last year, Emirates has seen a 27 percent passenger growth on the route between Dubai and Johannesburg, the second busiest international route after London.

British Airways World Cargo started operating the Boeing 747-8 Freighter (the largest commercial aircraft built in the United States) into South Africa in December 2011, shortly after the first delivery of the aircraft in October 2011. Cargo volumes are a lead indicator of business growth and having this cargo aircraft land at O.R. Tambo International Airport is a good sign for business in South Africa and southern Africa in general.

Cape Town International Airport

Cape Town International remains Africa's most award winning airport and this year it again received the prestigious Airports Council International (ACI) award for Best Airport in Africa.

One of the airport's most notable achievements during the period under review is the record breaking passenger statistics

which, at the end of 2011, showed the highest number of passengers processed to date. This adds renewed optimism for continued growth.

The impressive passenger numbers can be directly attributed to new airlines at the airport. The airport welcomed Edelweiss Airline, which flies directly to Zurich Airport in Switzerland, as well as Air France, which connects Cape Town directly to Paris. Other seasonal airlines that returned to the Mother City during the period under review are Lufthansa Airlines, which flies directly to Frankfurt, and Virgin Atlantic Airways flying directly to London's Heathrow. Sadly, the airport bid farewell to Etihad Airways which had operated at the airport since 2009, as well as Malaysian Airlines, which ended its operations in January 2012 after having operated at the airport for over 20 years.

January was the busiest month, peaking with just over 28 000 passengers moving through the terminal on 5 January, all of whom were processed incident free! With the increase in passenger numbers, the airport teams continue to focus on efficiency, this with the view of continuously improving the customer's airport experience, all the while ensuring that the airport remains safe, secure and one of which all South Africans can be proud.

King Shaka International Airport

The year under review was the second year of operations at King Shaka International Airport. The focus was on operations and ensuring that all systems, staff, aeronautical and commercial activities were stabilised and operated in an enabling environment.

AIRPORT OPERATIONS (CONTINUED)

Experience gained through the 2010 FIFA World Cup paid dividends for the airport's successful handling of two major, international events. Durban hosted the International Olympic Committee's 23rd Session in June 2011 and the United Nation's COP17 Climate Change Conference in November and December.

Conscious of the potential impact of noise from a new airport on surrounding communities, a noise monitoring committee was formed with all major stakeholders and surrounding communities as part of the process. It has been an effective forum, especially as the airport's neighbours have welcomed the sharing of information.

An Environmental Advisory Committee comprising, amongst others, Dube TradePort, Airports Company South Africa, Ethekewini Municipality, National and Provincial Departments of Environmental Affairs, KZN Wildlife and the Department of Water Affairs, has been formed to plan and implement the on-site rehabilitation requirements of the airport's Record of Decision. Momentum is increasing with the implementation of the environmental conditions.

Airline viability has been impacted through the demise of Velvet Sky and BA Comair reporting its first loss in more than 20 years of trading. However, SA Express has announced that it will use the airport as its springboard for flights into other African countries and Emirates will be deploying a larger aircraft on its daily Durban-Dubai flights.

Bloemfontein International Airport

The 100th anniversary of the African National Congress was held from 6 to 8 January 2012 in Bloemfontein, Mangaung, to coincide with the founding location of the ANC.

Normal movements in and out Bloemfontein were observed up to 5 January. On 6 January, heads of state and other important delegates began arriving, with a total of 26 heads of state by the morning of 7 January. A total of 82 movements in and out of Bloemfontein International Airport was recorded for 6 January, compared to the normal daily total of about 20. The departure peak started immediately after President Jacob Zuma delivered his keynote speech on 8 January.

The majority of flights were facilitated at the Bloemspruit South African Air Force area (situated on the perimeter of the Bloemfontein International precinct), where the Protocol facility was stationed. Gripen fighter jets, securing the airspace above

Bloemfontein during the event, were stationed at Kimberley Airport. Upington International Airport facilitated long-term parking for the aircraft. All three airports operated on a 24-hour basis for the duration of the event, during which time personnel from the coastal airports supplemented staff at Bloemfontein International Airport. No incidents were reported during the event.

Pilanesberg International Airport

The airport was added to the Airports Company South Africa network in 1998 under a 30-year concession with North West Province. However, Airports Company South Africa elected to terminate the agreement with the province.

Company staff at the airport was offered the opportunity of relocating to other airports in the network. Most chose to remain at the airport and only two people relocated to Kimberley Airport. Airports Company South Africa relinquished responsibility for Pilanesberg Airport with effect from 1 October 2011.

Port Elizabeth International Airport

The economic climate had a negative effect on Port Elizabeth International Airport's business, with a reduction in air traffic movements and passenger numbers, resulting in a four percent decline in growth, year-on-year. This has been a direct result of business confidence and travel declining in Port Elizabeth, as well as lower tourism demand. The decline of Velvet Sky and a reduction in flight frequency on the route by SA Express and SA Airlink have added further pressure on passenger numbers.

Upington International Airport

Upington International Airport is challenged by servicing the sparse population of the geographically extensive Northern Cape, which generates limited passenger numbers. Traditional air freight business from grapes and dried fruit, grown along the Orange River, has declined dramatically due to the high cost of air freight compared to refrigerated road and sea freight.

Imaginative marketing opened the opportunity of 'mothballing' out-of-service aircraft from the North American and European aviation sectors. Although this business model appeared promising, the programme has been dealt a severe blow by the South African Revenue Service insisting that aircraft parked on a long-term basis will be charged import duty, based on the value of the aircraft. This will negate the competitive advantage of Upington when compared to a similar undertaking in the Arizona desert. Negotiations are under way to circumvent this stumbling block.

An additional project to strip obsolete aircraft of salvageable spares and scrap has been initiated in an effort to improve the economic outlook of an airport that cannot rely on passenger numbers for economic success.

Safety

Airports Company South Africa was one of the first airport operators to develop and implement a Safety Management System in 2005, in compliance with the requirements of the International Civil Aviation Organisation (ICAO), as well as a range of South African legislation, and regulations of the South African Civil Aviation Authority. Commitment to aviation safety is further demonstrated by the progression from pure regulatory compliance to a performance-based approach, which incorporates the concept of acceptable levels of safety.

A set of acceptable safety and key performance indicators has been set for apron accidents and incidents, runway incursions, and bird and wildlife strikes. These were derived from Airports Council International (ACI) statistics for the Africa region and are a ratio of accidents and incidents per thousand aircraft movements.

Runway incursions (the presence of something that should not be on a runway) are considered to present the most significant safety and collision risk in aerodrome operations. Incursion events are increasing worldwide, in parallel with the increase in air traffic.

Airports Company South Africa has established local runway safety teams at all its international airports, although this is not a regulatory requirement. These teams, comprising airport airside users, including pilots, ground handlers, maintenance staff and the airport authority, meet on a quarterly basis. Runway incursions are assessed, resulting in the formulation of different safety measures and mitigation measures to minimise the risk of incursions.

In addition, where applicable, 'hot-spot' charts are compiled to improve situational awareness of pilots; low visibility procedures are revised and signage adjusted to ensure awareness by all airside users. The runway safety teams are a significant safety initiative and will not only improve aerodrome safety but also increase the confidence of airlines and pilots in the use of Airports Company South Africa's aerodromes.

Any safety management system requires a credible reporting system of accidents and incidents to ensure proper investigation, trend analysis and reporting. Airports Company South Africa has developed a user-friendly reporting system for accidents and incidents, which consists of an electronic database incorporating data collection, the mining of information and analysis. The system generates customised reports to satisfy the requirements of regulatory authorities and ACI.

The Safety Management System is complemented by policies and procedures which are verified and updated on an annual basis or whenever necessary. An oversight and auditing system is in place to ensure that procedures and initiatives are effectively implemented and any shortcomings identified and rectified.

Over and above procedures, Airports Company South Africa manages safety in the context of ICAO's Hazard Identification and Risk Assessment (HIRA) approach. Risk registers have been developed for each aerodrome and the HIRA approach implemented, currently managed through spreadsheets. Airports Company South Africa is one of the first airport operators in the world to do this.

A state-of-the-art electronic system will be installed in 2012 and will integrate with the occurrence reporting system, as well as enterprise-wide risk management. This will enable safety matters to be managed in a proactive manner to identify and mitigate hazards much sooner than is now possible.

Birds and Wildlife

Birds and wildlife are managed in a manner that exceeds the ICAO recommendations. Airports Company South Africa has successfully adopted a scientifically based approach, in partnership with the Endangered Wildlife Trust (EWT), to control wildlife on and around aerodromes in an environmentally sensitive and sustainable manner. The programme has built a reputation as being responsible and environmentally friendly, rather than using only elimination tactics. Some of the components of the programme include wildlife habitat management, grass cutting, vegetation management and species behaviour.

Each airport has a fully comprehensive wildlife management plan covering every aspect of risk through bird and wildlife strikes, including detailed species lists, behaviour patterns and mitigation strategies. O.R. Tambo and King Shaka International Airports have been running a successful programme for several

AIRPORT OPERATIONS (CONTINUED)

years, employing Border collies to deter and scare birds from the airfield. Springer spaniels have recently been introduced to provide an alternative operating technique and complement the collies.

Customer care

Airports Company South Africa's strategy of building both an efficient and customer-focused business has been a winning strategy as evidenced by the successful completion of several customer service milestones. These include the iHELP service brand initiative, the launch of Airport Radio, and the roll-out of Airport Behaviour Standards and customer service training for all airport stakeholder employees, system-wide. Since its initiation in 2009, a total of 13 464 airport staff has been trained.

The customer communication console, Viewing Deck, ensured an ongoing, interactive relationship with our customers and, in the last financial year, 17 713 customers communicated with the Customer Care department. Of these, five percent were compliments, 20 percent complaints, 52 percent suggestions and 23 percent were enquiries. Customers' key challenges with Airports Company South Africa and their stakeholders are baggage-related incidents and parking value-for-money.

Service quality has become a key focus for airports around the world and Airports Company South Africa registered the three major airports on Airports Council International's (ACI) airport service quality (ASQ) programme in 2000 and the remaining six airports in 2006.

The past financial year has proved the effectiveness of the customer care programmes, with Airports Company South Africa winning the following ACI Airport Service Quality awards:

Cape Town International Airport	Best Airport in Africa
King Shaka International Airport	Third Best Airport in Africa
Upington International Airport	Best Regional Airport in Africa
East London Airport	Most Improved Airport in Service Excellence in Africa

Furthermore, O.R. Tambo International and King Shaka/Durban International Airport were inducted onto the ACI Director-General's Roll of Excellence for consistent excellent service to passengers over a five-year period.

Airports Company South Africa has developed a comprehensive social media strategy, with the objective of providing the right information at the right time on the right platform. At this stage, our presence has been mainly limited to Twitter and Facebook; future platforms will include content sharing via YouTube, blogging and location-based social media platforms.

New Group customer care initiatives under consideration for implementation in 2012/13 include the development and implementation of the Airports Company South Africa Service Promise, a VIP Facilitation Programme and a Group-wide Assisted Passenger Project. This will be based on the universal design premise that products, services and environments should be usable by all people, to the greatest extent possible, without the need for personal adaptation or special provision. This includes initiatives not only in the field of physical access but extends to information and communication technology, as well as orientation and way-finding systems and, most importantly, to proactive management and operational systems.

Aviation security

Civil aviation faces a number of threats, including being the target of terrorism. These threats are real and Africa has not been immune from acts of unlawful interference in civil aviation. When the International Civil Aviation Organisation (ICAO) was founded in 1944, seizure, sabotage and the use of aircraft in terrorist attacks were not considered as security threats. Provisions for international aviation security were first disseminated as an annexure to the Chicago Convention in 1974, and since then have been updated 12 times. With the advent of the latest update in July 2011, ICAO began providing States with guidance material to assist with the implementation of international security measures.

Work in the field of aviation security undertaken by ICAO is essentially carried out in three inter-related areas: policy initiatives, audits focused on the capability of contracting States (to the Chicago Convention) to oversee their aviation security activities, and assistance to States that are unable to address serious security deficiencies highlighted by ICAO audits. Security audits are performed under the Universal Security Audit Programme.

Security audit

An ICAO security audit was conducted at O.R. Tambo International Airport in August 2011 and consisted of an in-depth review of the airport security plan, airport emergency plan and contingency plans. The audit also examined the activities of the Airport Security Committee, security personnel and training documentation, airport security procedures and storage, as well as key supplemental documentation. Compliance with ICAO, SACAA and Airport Security Programme requirements was also audited. Results of the audit are restricted, but contained no negative findings.

Security technology

Latest technology equipment for X-ray screening, mobile blast containers and explosive trace detection was installed and commissioned at O.R. Tambo, Cape Town and King Shaka International Airports during the financial year under review. The six national airports will have the same equipment installed in the forthcoming financial year.

The new X-ray units improve carry-on bag screening detection and provide clear, high-definition images that improve security officers' ability to detect potential threat items. In addition, the X-ray systems are built to be upgradeable and programmable to integrate the latest Liquids, Aerosols and Gels (LAGs) software. As new threats emerge and capabilities improve, enhancements to the equipment at airports will generally require only a software upgrade. The system provides a quick and reliable evaluation process, and automated detection flags potential threat items on screen.

On-the-job training keeps security officers' skills sharp through the daily use of a Threat Image Projection (TIP) software program to routinely test their abilities to detect weapons and explosives by X-ray.

Screener certification

Under ICAO regulations, contracting States are obliged to conduct a national Screener Certification programme.

This applies to all persons who are involved in the application of any process in relation to aviation security that is intended to identify and detect weapons, explosives or other dangerous devices, articles and substances that may be used to commit an act of unlawful interference with civil aviation.

This programme addresses the recruitment, selection criteria, screener tasks, screener supervision, and screener management of security personnel. The Company's Training Academy is well equipped and resourced to deliver the required training; certification is administered by the South African Civil Aviation Authority (SACAA).

Baggage security

The campaign to reduce baggage pilferage is ongoing, with multiple initiatives between Airports Company South Africa and major stakeholders involved in the process of handling baggage. This includes airlines, ground handling companies, the SAPS and contracted security companies.

Always an emotive issue for an affected passenger, interference with baggage ultimately creates adverse publicity for all involved, but especially for Airports Company South Africa as the organisation most immediately perceived as carrying responsibility and for South Africa as a destination.

Some of the measures introduced in the year under review include the introduction of new security zones to restrict access to baggage make-up areas and the expansion of CCTV coverage, together with the installation of additional covert cameras in areas identified as 'hot spots'.

A media campaign has been effective in raising awareness of the measures that have been taken and in helping to educate passengers in measures that they can take to safeguard their possessions. Publicity regarding the arrest of offenders has, it is believed, played a positive role, including making travellers aware that the scourge of baggage pilferage is taken seriously and that activities to curb it are bringing results.

The various initiatives are producing encouraging results, both in terms of improvements against the 2010/11 statistics and against internationally accepted benchmarks. Baggage pilferage is measured within the IATA code of mishandled baggage, which is defined as either stolen, mishandled or damaged. The year-on-year figure has continued to improve for the period under review, with baggage pilferage declining by 33 percent in comparison to the previous period.

AIRPORT OPERATIONS (CONTINUED)

Information technology

Airports Company South Africa operates an information communications technology (ICT) dependant business and, as such, the Group's Information Technology (IT) function provides an integral platform for the business to achieve its strategic intent and deliverables. IT is therefore responsible for the provision of ICT strategic and operational support in line with the Company's business strategies and imperatives. In executing its mandate to business, IT's role focuses on key areas.

The success factors over this period relate to improved systems availability of all systems, with emphasis on priority systems. The average performance of systems over the reporting period is in excess of 99,5 percent for critical systems and 99,7 percent for priority systems.

The performance of IT Finance has remained consistent in line with budgets, where savings of between two and five percent were achieved over the year, with increased performance levels. Focus has been on efficacy and efficiency of all financial resources.

A new version of the Airport Operational Database (AODB) was implemented at all airports, except King Shaka International, and brings improved data integrity to provide the right information at the right time and also provides improved reporting.

The primary data centre at O.R. Tambo International has provided benefits of improved on-time availability, recovery and back-up, which includes the seamless back-up of other airports' systems. Construction of the second data centre at Cape Town International has been completed and will be equipped in the coming financial year. This facility will provide increased data security as it will also provide back-up for all critical systems.

In the coming year the IT function will focus on developing the self-service strategy with business partners and the airline community. This will ensure alignment between the airlines self-service strategy and infrastructure provision for the Company's airports.

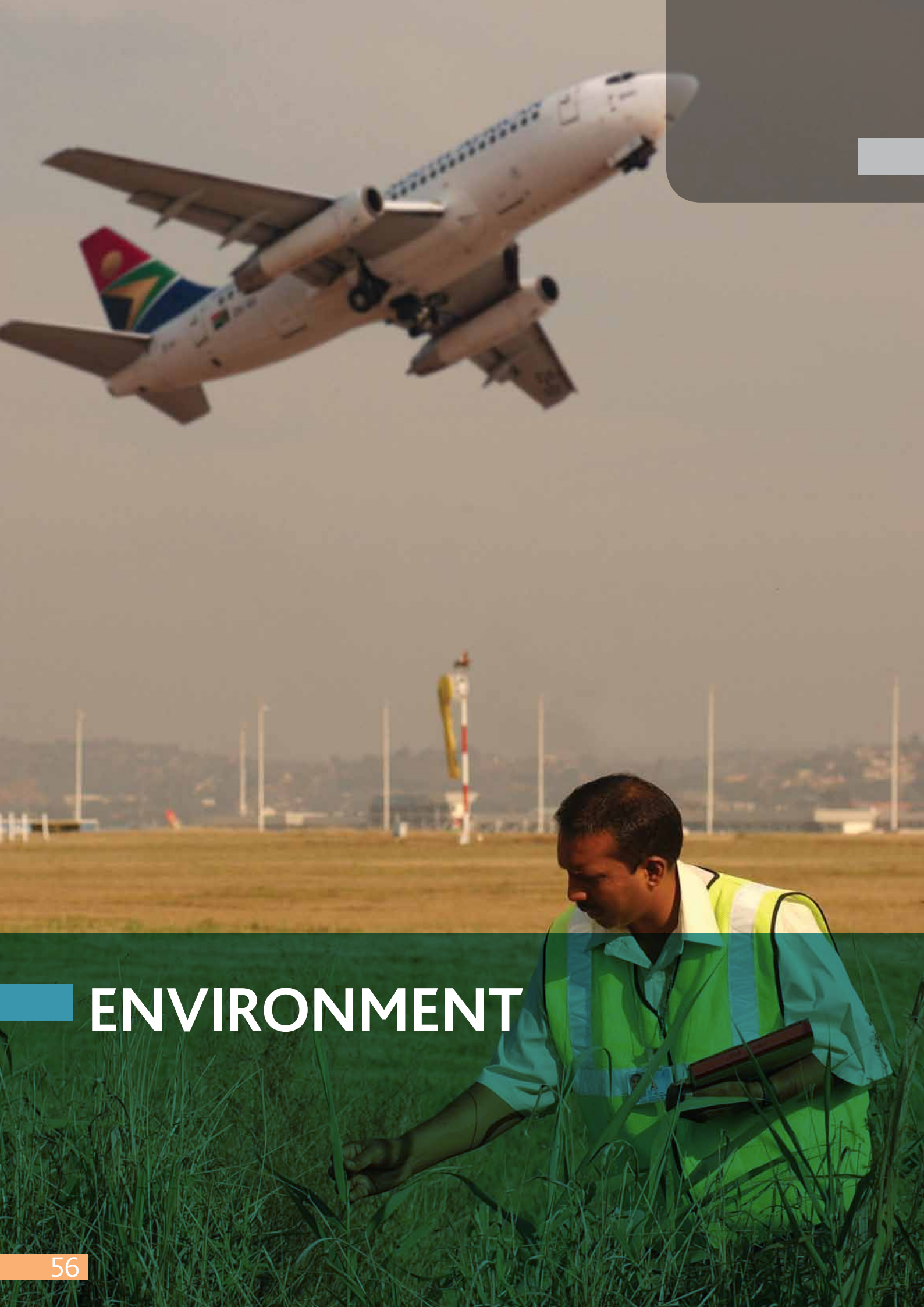
The demand for IT skills in the market has continued to pose a constraint in the selection and hiring of high-calibre staff. Thus the training and development of IT staff to keep abreast of the demands of the Company and the ever-changing IT environment is imperative for continued success. In this regard, an IT Talent Committee has been established to focus on staff attraction, development and retention.

To establish user satisfaction levels, real-time feedback has recently been captured to measure experiences with the IT Service Desk. Where performance ratings are unsatisfactory, an action plan is implemented to address problem areas.

The King III report provides guiding principles for those accountable and responsible for IT governance to ensure that prudent and reasonable steps have been taken. Policies and processes implemented include IT service management, disaster recovery and back-up, IT equipment use and IT security.

With the inclusion of IT governance principles, the Airports Company South Africa Board is fully committed to maintaining the standards of integrity, accountability and transparency required to achieve effective governance of information technology.





ENVIRONMENT

ENVIRONMENT

Environmental policy

Airports Company South Africa has a Group Environmental Management Policy, in which it acknowledges that airport activities and operations may have diverse impacts on the environment and therefore accepts its stewardship role of responsible care for the environment.

The Company strives to be a good corporate citizen and is committed to responsible environmental practices. This is achieved through committing to:

- Implementing and maintaining an Environmental Management System (EMS) in accordance with the principles outlined in the ISO 14001 standard
- Complying with the relevant environmental legislation, associated regulations and other applicable requirements
- Providing a framework for setting and reviewing objectives and targets
- Providing measures to prevent environmental pollution resulting from airport activities and operations
- Monitoring and measuring significant environmental aspects and impacts of airport activities and operations

- Ensuring that all Airports Company South Africa employees, operators and contractors who fall within the scope of the EMS are aware of the environmental aspects and impacts associated with their activities and operations and of the requirements of the EMS
- Conducting regular audits of the EMS to ensure its adequacy and effectiveness
- Ensuring continual improvement of the Company's environmental performance.

The policy was reviewed by the Executive Committee and senior management in the year under review.

ISO 14001: 2004 certification

In previous financial years, Airports Company South Africa embarked on a phased approach to obtain ISO 14001:2004 certification. The table below summarises the details of the implementation of the Environmental Management Systems (EMS) and ISO 14001 certifications at ACSA airports.

Airport	Status of ISO 14001 and EMS	Next external surveillance audit
Cape Town International Airport	ISO-certified in March 2011	June 2012
O.R. Tambo International Airport	EMS aligned to ISO 14001	–
King Shaka International Airport	Implementing ISO 14001	–
Port Elizabeth International Airport	ISO-certified in July 2011	July 2012
Bloemfontein International Airport	EMS aligned to ISO 14001	–
Kimberley Airport	EMS aligned to ISO 14001	–
East London Airport	ISO-certified in October 2011	September 2012
George Airport	ISO-certified in June 2011	July 2012
Upington International Airport	ISO-certified in June 2011	June 2012

Airports Company South Africa will continue to strive to achieve ISO 14001:2004 certification at all airports.

ENVIRONMENT (CONTINUED)

Climate change and energy conservation

Electricity consumption

The electricity consumption for the four major international airports, which have the biggest consumption, is shown in the table below in kilowatt hours per passenger. Over the last few years, there has been an increase in the provision of infrastructure at the airports, but due to the implementation of energy saving initiatives, this has resulted in only a marginal increase in energy consumption per passenger.

Airport	2011/12	2010/11	2009/10	2008/09
Cape Town International	8,460	8,889	6,829	6,762
O.R. Tambo International	7,995	8,459	8,362	7,223
King Shaka International	7,589 ¹	7,624 ²	2,231 ³	2,275 ³
Port Elizabeth International	7,911	7,365	6,612	6,847

Notes

1. Excludes March 2012. 2. Excludes April 2010, as King Shaka International operations commenced on 1 May 2010. 3. Old Durban International Airport

Fuel and diesel consumption

This is the second year that direct consumption of fuel and diesel by ACSA-owned vehicles has been recorded for the four major international airports. Consumption is shown in litres per airport.

Airport	2011/12	2010/11
Cape Town International	93 641	113 482
O.R. Tambo International	184 276	226 200
King Shaka International	82 057	95 745 ¹
Port Elizabeth International	12 399	24 331

Notes

1. Excludes April 2010, as operations at King Shaka International operations started on 1 May 2010

Emissions

A Green Paper issued by the Department of Environmental Affairs in 2011 outlined the government's vision of how to address climate change and the long-term transition to a climate-resilient and low-carbon economy and society. In addition, the paper identified the transport sector as being the second highest source of greenhouse gas emissions and that there should be significant mitigation benefits available from the sector.

In response to the Green Paper, the Company acknowledged that the aviation industry has an important role to play and that the industry should follow the International Civil Aviation Organisation's policies and principles in this regard. These are designed around emission-related charges (as opposed to carbon taxes) that are directly related to the environmental impact of aviation. Resulting funds would be employed for mitigation purposes.

Material environmental impacts

Airports Company South Africa continued to work with its stakeholders to minimise the impact of airport operations on the environment. The Group's key environmental focus areas include:

- Climate change and energy conservation
- Water resource management
- Waste management
- Air quality
- Noise
- Fuel spills
- Biodiversity.

Water resource management

Acknowledging that water is a scarce resource, particularly in South Africa, Airports Company South Africa embarked upon various initiatives within the Group to reduce potable water consumption.

Over the years, Cape Town International Airport has undertaken a number of initiatives to both conserve water and preserve water quality. Amongst others, these include a spill containment basin at the outlet of the primary stormwater detention pond, an annual groundwater quality monitoring programme covering high-risk sites, monthly stormwater quality testing, the use of boreholes for irrigation and the use of water-wise indigenous landscaping.

In the coming financial year, Cape Town International Airport will be developing a new water conservation plan to further minimise water consumption. There will also be the roll-out of awareness campaigns to high-use stakeholders.

In 2009, O.R. Tambo International Airport commenced with an integrated water quality management plan. Studies were conducted to determine baseline data and a ground and surface water monitoring network was installed. In the next financial year, management programmes will be implemented to mitigate areas of concern for potential sources of water contamination such as fuel storage and workshop facilities.

Water withdrawal by source

Water consumption, shown as litres per passengers, for the four major international airports is detailed below. The water conservation initiatives implemented, particularly at O.R. Tambo and Port Elizabeth International Airports, have resulted in a decrease in the water consumption per passenger.

Airport	2011/12	2010/11	2009/10	2008/09
Cape Town International	56	48	50	51
O.R. Tambo International	54	68	87	68
King Shaka International	50	47 ¹	50 ²	52 ²
Port Elizabeth International	28	31	34	34

Notes

1. Excludes April 2010, as King Shaka International operations commenced on 1 May 2010. 2. Old Durban International Airport

King Shaka International Airport scoped an integrated water quality management plan in the year under review and will commence with baseline studies and water monitoring in the next financial year. In addition, the following water conservation practices are implemented at the airport:

- Car rental companies use a water recycling facility for washing cars
- All landscaping uses indigenous plants, reducing water usage
- Sewerage generated at the airport is treated at a waste water treatment plant on the airport. The purified water is used to irrigate the neighbouring sugarcane fields, which alleviates the need for the farmers to extract water from boreholes or municipal sources.

Future initiatives which are being explored at the airport include:

- The harvesting of rain and ground water to be used to flush toilets in the passenger terminal building and office complex
- Re-circulation of the water produced by air-conditioner chillers in the passenger terminal building, which will not only conserve potable water consumption but will also reduce energy consumption.

Port Elizabeth International Airport commenced with a water conservation project by replacing all underground water valves and pipes. The first phase of the scheme has been completed and has resulted in a reduction in potable water consumption.

ENVIRONMENT (CONTINUED)

Waste management

Solid waste generated from airport operations and retail facilities is accumulated at facilities on the airport sites, and is disposed of by waste contractors. The specific waste management and recycling initiatives that were implemented in the Group are detailed below.

O.R. Tambo International Airport commenced with a study to develop a comprehensive integrated waste management plan. The plan will form the basis of a sustainable waste management business plan for the airport and it will provide for an efficient, effective, compliant and cost effective solution for collection, recycling and disposal. It will also include programmes to create awareness amongst stakeholders of the importance of preserving the environment by reducing waste and increasing recycling.

At King Shaka International Airport the policy of re-using and recycling decreased the impact on the environment.

At Port Elizabeth International Airport, an outsourced service provider recycled waste off the airport site as a source of income. In the year under review, the waste management plan was reviewed and a waste facility was constructed for the collection of all waste streams. In the next financial year, the waste disposal contract will be revised to a waste management contract to maximise waste recycling efficiency and awareness will be created amongst stakeholders.

The waste disposal contract at Cape Town International Airport was changed to a waste management contract to maximise recycling efficiency, which has resulted in a significant increase in efficiency in the year under review. The table below shows unaudited figures, in grams per passenger, of recycled waste at the three major international airports.

Airport	2011/12	2010/11	2009/10	2008/09
Cape Town International	67	40	39	38
O.R. Tambo International	66	89	62	—
King Shaka International	101 ¹	96 ²	— ³	— ³

Notes

1. Excludes March 2012 2. Excludes April 2010, as King Shaka International operations commenced on 1 May 2010. 3. Old Durban International Airport

Recycling campaign with food and beverage outlets

Cape Town International Airport held a waste management campaign with all food and beverage outlets on the airport, with the aim of improving waste separation and ultimately reducing disposal to landfill sites. The campaign involved a series of workshops and training, media awareness, recycling bins and compliance audits. The effectiveness of the campaign will be monitored and reported in the next financial year.

Recycling material from apron rehabilitation

Rehabilitation of aircraft parking stands at O.R. Tambo International Airport involved the removal of 9 500 cubic metres of old concrete from the 775 metres long by 220 metres wide work area. In an effort to minimise environmental impacts, a decision was made to recycle the concrete rather than dispose of it in a landfill site. The old concrete was crushed on site, mixed

with sand, cement and water to form a 'lean mix' concrete and used for the supporting layers under the final concrete layer.

Air quality

An air quality pilot project was started at King Shaka International Airport whereby a preconditioned air unit (PCA) was installed at an aircraft parking stand to supply chilled air to the parked aircraft. Electricity is supplied from the airport to the PCA and the aircraft. Typically, a large aircraft will emit 1 000 kilograms of carbon dioxide per hour when using its own internal engine to supply electrical power for air conditioning and lighting while the aircraft is parked. The PCA and airport-supplied electricity will reduce the carbon dioxide emissions to approximately 90 kilograms. With cooperation from airlines, more PCAs will be installed at more parking stands and at other airports.



In order to manage local air quality and ensure that emissions at the airports are below the required limits, monitoring of air quality was continued at Cape Town and O.R. Tambo International Airports. Monitoring was carried out against the National Ambient Air Quality Standards and SANS 1929 Ambient Air Quality Standard.

Airport	Number of transgressions	
	2011/12	2010/11
Cape Town International	0	9
O.R. Tambo International	98	31

The air quality monitoring station at O.R. Tambo International Airport is located off the airport site and adjacent to the R21 Freeway, and in close proximity to industrial sources and the Kelvin coal-fired power station, which all contribute to the emissions in the area. It is believed that these external sources of emissions contributed to the increase in transgressions for the reporting year. In order to quantify the emissions emanating from the airport's operations, additional air quality monitoring was conducted on the airport site towards the end of the year under review. The data was submitted for laboratory analysis and the results and findings will be available in the next financial year. It is intended that data will only be captured on the airport precinct in future, providing a true reflection of air quality at O.R. Tambo International Airport.

King Shaka International Airport is in the process of gathering an air emissions inventory of all potential contributors to air pollution at the airport. Once their impact has been quantified, permanent air quality stations will be installed on the airport site.

Noise

In acknowledging that aircraft noise and noise generated by airport operations may have an adverse impact on local communities, Airports Company South Africa continued to implement initiatives and worked with stakeholders and communities to minimise the impact of noise generated from aircraft and from airport operations.

Exercises were conducted at all airports except Upington International to calculate aircraft noise contours and these were then modelled for the purpose of land use planning for properties adjacent to the airport, and included in the Company's Geographic Information System (GIS).

Local authorities were engaged and consulted to discuss aircraft noise contours and the management and control of future developments in the vicinity of Cape Town and O.R. Tambo International Airports.

At Cape Town International Airport, temporary noise monitoring sensors were installed at the communities in the vicinity of the airport, and aircraft noise measurements were recorded. This data will be used as a baseline from which to manage aircraft noise in the future.

Three Aircraft Noise Consultative Committee meetings have been held since the start of operations at King Shaka International Airport in May 2010. Participants include representatives from airlines, regulators, service providers, local communities and the airport. Permanent noise monitoring and tracking systems will be installed O.R. Tambo, Cape Town and King Shaka International Airports.

Cargo operators that operate between 22h00 and 06h00 were engaged and consulted to mitigate aircraft noise at Port Elizabeth International Airport.

ENVIRONMENT (CONTINUED)



The number of noise complaints received from local communities in the vicinity of the four major international airports is shown below.

Airport	2011/12	2010/11
Cape Town International	4	–
O.R. Tambo International	1	–
King Shaka International	53	95 ¹
Port Elizabeth International	5	5

Notes

1. Excludes April 2010, as operations at King Shaka International commenced on 1 May 2010

Significant fuel spills

In the year under review, no significant fuel spills occurred within the Group, as was the case for the four previous financial years.

Six years after the fuel spillage that occurred at O.R. Tambo International Airport in 2006, Airports Company South Africa continues with its commitment to the post rehabilitation monitoring programme. In December 2011, the Company conducted an evaluation of the rehabilitation interventions that were carried out, and submitted a report to the Department of Environmental Affairs. The next monitoring will be carried out in December 2012, and the last will be done in December 2013.

Biodiversity

Biodiversity conservation covers a broad spectrum of issues, including the protection, preservation and careful management of natural resources. Protection of the environment includes the regulation and minimisation of factors that may negatively impact it, e.g. pollution and climate change.

Biodiversity assessment

O.R. Tambo International Airport lies within a grassland area that has been identified by the South African National Biodiversity Institute as requiring conservation priority. A process was established with the Gauteng Department of Agriculture and Rural Development to develop a Biodiversity Management Plan. A survey of all flora and fauna at the airport site will be conducted in the next financial year to provide the information required for effective biodiversity management.

Alien vegetation clearing, rehabilitation and restoration

A condition in the Record of Decision for the construction of King Shaka International Airport requires that Airports Company South Africa restores and rehabilitates vegetation lost through construction and returns the precinct to a more pristine condition with improved ecological function. To undertake a project of this magnitude, the Company established an advisory committee comprising of Provincial and National Departments of Environmental Affairs, the Department of Water Affairs, the eThekweni Municipality, Wildlife and Environment Society of South Africa, Dube TradePort and potentially interested and affected local communities, to provide input into the rehabilitation plan.

Barn (European) Swallows

During the last season, only one warning was generated by the specialised radar system when Barn Swallows were swarming within the flight path of an arriving aircraft. The aircraft was re-routed and landed safely at the airport. The Company has built a second viewing deck on the airport site to provide opportunities for people to watch the swallows.

The Mount Moreland wetlands, where the swallows roost, also provides habitat for a critically endangered amphibian species, Pickersgill's Reed Frog. A study group from the University of the

North West has conducted extensive research on the frogs and it has been determined that the airport's operations have had no negative impact on the frogs.

Bird and wildlife aircraft strikes

The collaborative programme between Airports Company South Africa and the Endangered Wildlife Trust, in place since 1999, continues to control wildlife on and around aerodromes in an environmentally sensitive and sustainable manner. A Springer spaniel has joined the team of Border collies employed at O.R. Tambo International to scare birds away from runways.

The number of bird and wildlife strikes to aircraft is detailed in the table below.

Airport	2011/12	2010/11
Cape Town International	18	14
O.R. Tambo International	253	170
King Shaka International	49	49
Port Elizabeth International	24	25
Bloemfontein International	14	8
Kimberley Airport	1	12
East London Airport	10	14
George Airport	16	14
Upington International	2	4

Compliance with laws and regulations

During the financial year under review, for the fifth consecutive year, there were no fines or non-monetary directives levied for non-compliance with environmental laws and regulations.

Challenges

While the Group has made significant progress in promoting sound environmental standards and practices, challenges experienced include:

- Lack of regulations to restrict the use of older, noisier aircraft

- Stakeholder commitment to the importance of preserving our environment by reducing waste and unauthorised dumping, and increasing recycling
- Achieving ISO 14001: 2004 certification at all airports
- Implementation of reporting in accordance with the Global Reporting Initiative (GRI) guidelines
- Impact of the National Environmental Management: Protected Areas, Act 57 of 2003, on civil aviation
- Impact of the Astronomy Geographic Advantage Act, 21 of 2007, on civil aviation.

To address the requirements of the GRI, a historic database is emerging on consumption, water resource utilisation, waste generation and other indicators, and this will be used to set stringent targets and to determine opportunities for improvement.

The National Environmental Management: Protected Areas Act, which provides for the protection and conservation of ecologically viable areas representative of South Africa's biological diversity and its natural landscapes and seascapes, requires aircraft to fly at a minimum height of 2 500 feet above the highest point in a protected area. This requirement impacts on the flight paths of scheduled aircraft operations. The National Airspace Committee, which is comprised of the Department of Transport, the Department of Environmental Affairs, SACAA, Airports Company South Africa and other stakeholders from the aviation industry, is in the process of evaluating the impact, and will make recommendations to minimise the effect on civil aviation.

The Astronomy Geographic Advantage Act provides for the preservation and protection of areas within South Africa that are uniquely situated for optical and radio astronomy. The Act empowers the Minister of Science and Technology, in concurrence with the Minister of Transport and the South African Civil Aviation Authority, to declare an area, such as that earmarked in the Northern Cape for the Square Kilometre Array (SKA), as a restricted area. This includes the airspace above the area to a height of 18 500 metres above the highest point in the area, and may include the prohibition, restriction or imposition of conditions on any over-flights. Airports Company South Africa will engage with the South African Civil Aviation Authority and the Department of Transport to minimise the impact on civil aviation.



EMPLOYEES AND COMMUNITIES

HUMAN RESOURCES

The Company continued to focus on executing the business strategy in a competitive environment. Local competition, market volatility and declining talent pools make investing in people a high-risk business. Nevertheless, future success is primarily dependent on the Company's ability to find, engage, retain and productively manage talented and motivated employees. As a strategic business partner, the Human Resources division is expected to capacitate the business to deliver not only on current strategic objectives, but also future business strategies. With the Group exploring global frontiers, a sustainable local workforce must be in place to secure local operations.

A well-defined leadership DNA, together with an aligned performance-driven culture will ensure that the workforce collaborates 'As One' to achieve all the approved key performance indicators. Employee engagement is planned through a Strategic Change Management Process that will usher in a new era, based on sustainability, relevance and growth in a very challenging international financial landscape. Employee engagement and talent management in this highly competitive environment is cascaded through formalised structures to all operational levels in the business.

Talent and performance management

Talent risk management has been fully integrated in all the human capital management processes. Succession planning, as it relates to future sustainability of the Group's workforce, enjoyed greater attention during the period under review.

The Group achieved a succession rate of 98 percent against an agreed target from the Board of 80 percent succession readiness levels, which amounted to the identification of forty-nine critical positions across the business. Successors were identified for these positions, with concerns over the depth of talent in the Finance, Commercial and Human Resources divisions. Deliberate talent risk mitigation strategies have been implemented to address the associated risks through leadership development programmes. In functional areas such as Aviation Services and Airport Operations, an extremely solid talent pipeline was developed during the 2011/12 financial year.

To ensure growth and relevance within the business, talent committees have been established in all regions, focusing on succession planning and retention interventions to form a solid talent bench to enable the Group to deliver on current and future business objectives.

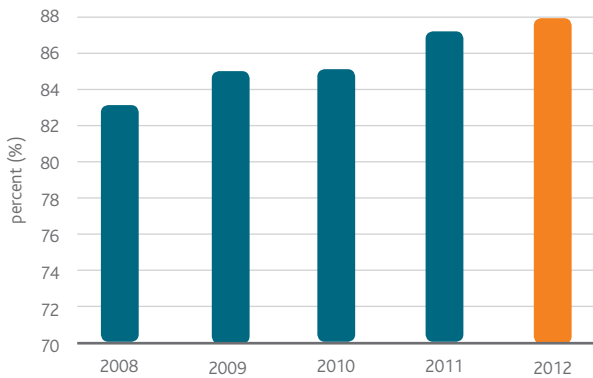
Leadership development and alignment is continually reviewed and an Executive Development Programme will be delivered to a selected group of 22 senior staff members. This entails attending a seven-month leadership programme at Henley Business School, during 2012, specifically designed for Airports Company South Africa. Leadership development and training continued at management level with the fourth Supervisory Development Programme being launched during the period under review.

Employment equity management

The Group seeks to reflect a workforce that is representative of South Africa's demographics, where diversity is a key strength towards performance excellence and productivity. To achieve this, the Group has developed an Employment Equity Strategy, with clear objectives and enablers to support its successful implementation.

HUMAN RESOURCES (CONTINUED)

Employment equity progress (percentage of Black employees)

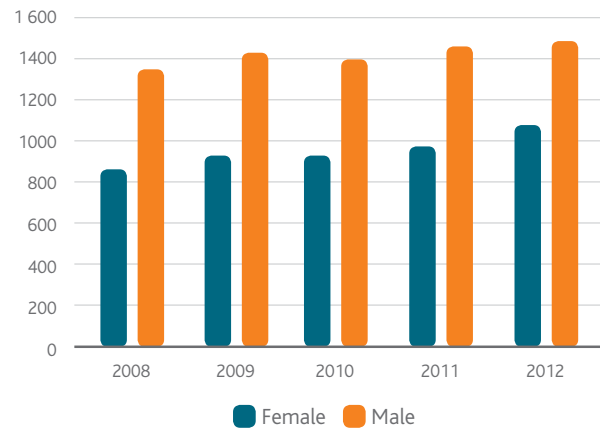


The progress made related to employment of people from targeted groups, over the years from 2008, is reflected in the graph.

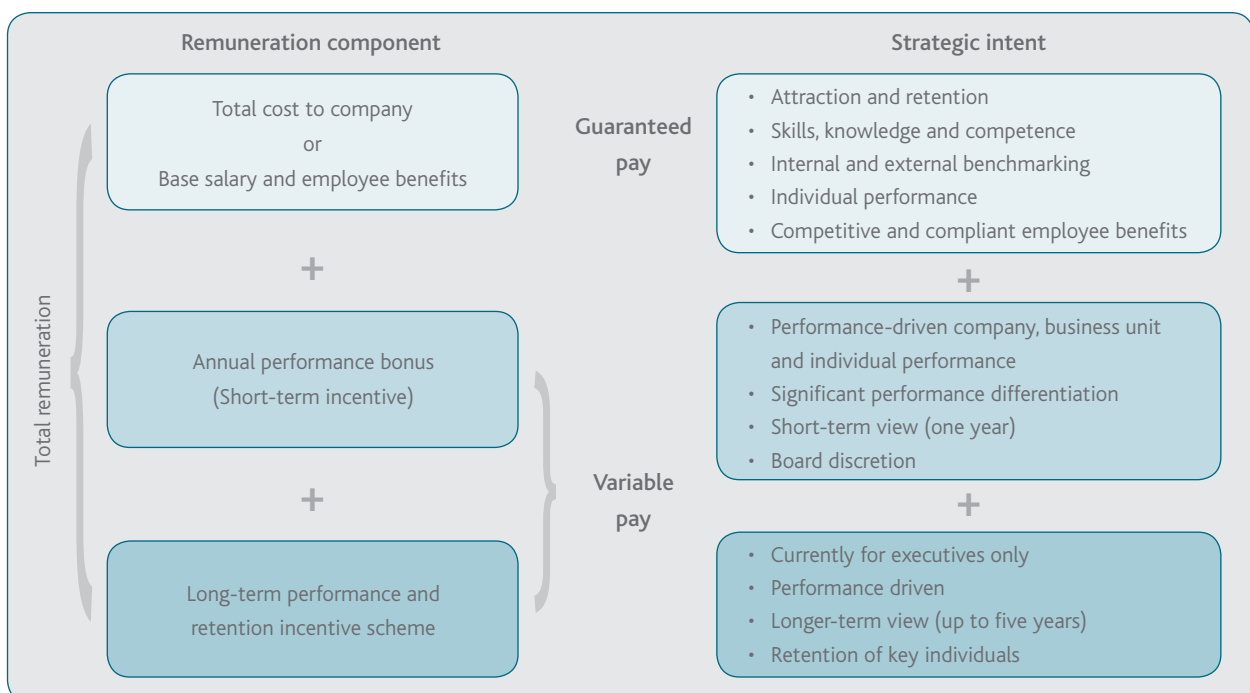
The advancement of women serves as a business priority, specifically ensuring an environment that is conducive to perform, as reflected in the graph above.

The Group reached the end of a five-year Employment Equity plan, during which it exceeded the numerical goals for the five-year period ending 31 August 2011, specifically as related to the representation of African males and females.

Gender profile



A new five-year plan was implemented for the period 2011 to 2016 and focuses on increasing achievements as it relates to resourcing, development and talent management, as well as transformation. Furthermore, specific measures are being implemented to ensure full integration of people with disabilities into the workplace, which includes development of young talent. At the end of March 2012, people with disabilities represented 0,007 percent of the total workforce, compared to the 0,008 percent annual target.



Reward and recognition

The overall objective of the reward and recognition policy is to attract, retain and reward performance excellence. The policy is aimed at ensuring that equitable remuneration is paid to all employees, with recognition of individual performance in the context of market-related remuneration.

The Group recognises the importance of appropriately rewarding performance and thereby considers the value of a reward mix across all levels of employees. The table on the preceding page provides the strategic intent of each component in the reward mix and how this is applied across all levels of employees.

Key focus areas

The establishment of an integrated and structured Centre of Excellence, relating to remuneration and employee benefits, was the priority for the year under review. Formal processes, procedures and structures related to key remuneration and employee benefits were implemented to ensure compliance and standardisation across all business units.

Training and development

Leadership development

In addition to the technical training that is continually provided to employees, the Group made significant inroads in the development of managerial leadership capability.

The Supervisory Development programme, which was initiated three years ago, continued to ensure that a critical mass of competent supervisors is emerging in the business. In the period under review, 60 supervisors were involved in the development programme. In striving for continuous improvement to align to business needs, an impact assessment was conducted on the programme. The feedback confirmed success, not only in attendance, but also in competence and performance. The percentage of candidates achieving full credits for the total programme increased significantly from 20 percent in 2009 to 67 percent in 2011. Several measures have been effected to ensure even further success in the future programme of 2012.

The need to strengthen leadership at operational and middle management levels has resulted in creating a culture of coaching. To this end, the current coaching intervention in the Company continued during the reporting period. The programme is designed to assist managers develop on-the-job coaching

capabilities. It is intended to continue inculcating this culture of coaching through further interventions in the years ahead.

The development of senior leaders with executive skills within the organisation was identified as a key requirement for the future. This development will ensure a continuous pipeline of well-prepared leaders to ensure business sustainability from a leadership perspective. A partnership has been forged with Henley Business School, one of the leading international business schools, to implement an Executive Leadership Development programme for identified senior managers.

Development of young talent

The Group continues to participate in the government-led initiative, 'TechnoGirl', which has seen the beginning of a journey to accommodate and assist twenty girls from disadvantaged communities by providing them with well-planned and structured exposure to the world of work. The girls, from grades 9, 10 and 11, will continue the programme over a three-year period.

Furthermore, in the year under review, the Company successfully implemented a new scheme to grant bursaries to children of employees, with the intention of increasing graduates in scarce skills categories. This initiative is aimed to grow, year-on-year, and build capacity in the scarce skills categories.

Employee engagement and wellness

The Group recognises that meeting future business needs requires employees who are committed to the organisation, resulting in discretionary effort in the working environment.

The Group conducts an annual employee satisfaction survey, the aim of which is to measure employee engagement and perceptions about the work environment. The Company was also certified as a BEST Employer in 2011/12 by the internationally renowned CRF Institute for benchmarking. The BEST Employers™ 2011/12 were announced on 24 August 2011 at the awards ceremony in Johannesburg. The 69 certified organisations have all proven to be excellent employers and received the BEST Employers 2011/12 certification. This prestigious recognition affirms Airports Company South Africa's differentiation as an employer with regards to the attraction, engagement and retention of talent.

HUMAN RESOURCES (CONTINUED)



Furthermore, the company embarked on an integrated process of mobilising and managing change within the Group. The aim is to ensure communication and mobilisation of change that will equip every employee to be able to contribute towards the sustainability, growth, efficiency and cost management, relevance and business performance excellence of the Group. This process consists of regular and structured interactive communication in the business.

Airports Company South Africa recognises the impact of the ever changing and challenging operational environment, which continues to place higher demands on employees. The Company commenced the implementation of an employee engagement framework, and had to ensure the integration of an Employee Wellbeing programme.

The comprehensive Employee Wellbeing programme, 'ACSA Cares', was launched in 2011 and, through this programme, employees have access to the following services:

- Trauma and critical incident counselling
- An executive care programme that offers a combination of medical and behavioural investigative risk management
- Capacity building for proactive action and resilience building for return to a state of productivity

- HIV and other disease management
- Managerial support
- Telephonic or face-to-face confidential counselling services, 24-hours-a-day, 365 days per year.

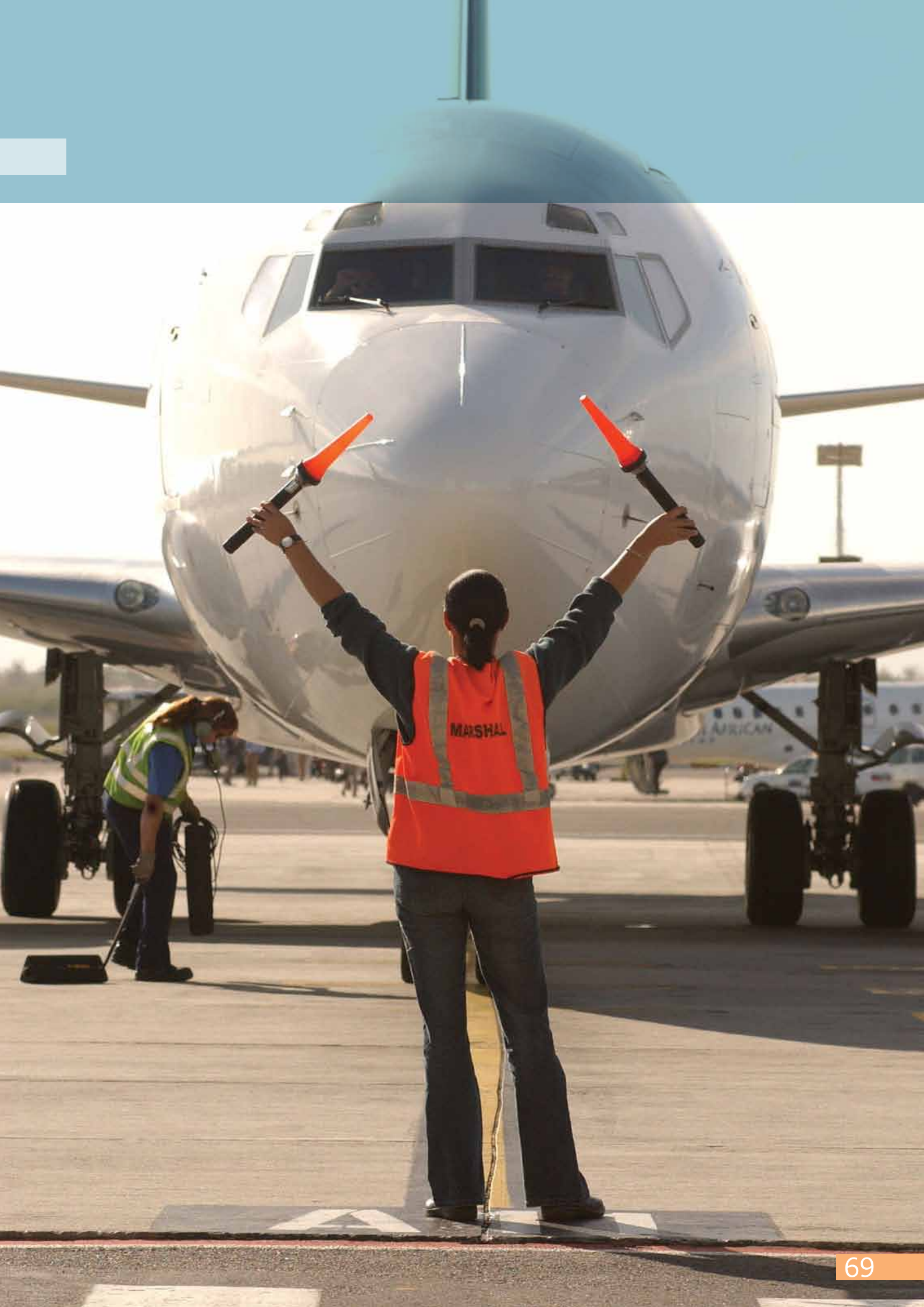
The engagement and uptake of all services provided for the period under review indicated satisfactory participation levels amongst employees. The services mostly utilised included the core counselling and advisory services, Group participation and HIV/AIDS voluntary counselling and testing. The take-up of core counselling and advisory services amounted to 15,1 percent of staff members and compares well to the 10,4 percent across the benchmarked group of companies during the same period.

Essential Services Committee

In March 2012, the Essential Services Committee of the Department of Labour issued a Government Gazette designating the following services at all airports in South Africa as 'essential services':

- All electrical services
- All safety services
- Security services with the exception of those provided at parking areas.

The effect of this notice is that employees working in these functions are prohibited from taking part in industrial action.



SOCIAL IMPACT



Over the years, Airports Company South Africa has striven to be a responsible and caring corporate citizen, pursuing key strategic projects that have enabled the Company to make meaningful contributions towards improving the quality of life of disadvantaged South Africans.

The Group has established a CSI Committee, comprising of senior managers, to ensure effective governance and integrity of the CSI budget and processes. The committee reviews the CSI strategy, policies and projects annually to assess relevance against set objectives.

In the financial year under review, R64,8 million was distributed to Enterprise Development and Corporate Social Investment (CSI) programmes. The CSI focus is on three areas: community upliftment, care for the environment and the physically disabled. Empowerment of women, youth development, education and training, as well as the involvement of Airports Company South Africa's staff are critical elements of the Group's strategic focus.

Community upliftment projects are based around the airports where there is physical presence and impact. They provide an opportunity to contribute towards the redressing of the immense social and economic challenges with which South Africa is faced.

The Enterprise Development Strategy leverages the CSI programmes, seeking to foster the dynamic integration of socio-economic elements, and focusing on small business development. The nature of Airports Company South Africa's business generates opportunities in bulk supplies and services, maintenance, souvenirs and crafts, and operational support services.

A project beginning to bear fruit is a community-based bead making undertaking near Giyani in northern Limpopo. Support

has been provided for the past two years with the first beads produced in 2011. Believed to be the only producer of small beads in South Africa, the project has considerable potential and currently generates five direct and fifteen indirect jobs.

The Group continues to give priority to disability by providing access to means of mobility for people with physical disabilities. This is pursued through projects that enhance the integration of physically disabled individuals into society through the provision of mobility aids (such as wheelchairs), infrastructure improvement and accessibility, skills development, education and awareness.

As in previous years, the wheelchair donation project has continued in partnership with the Department of Women, Children and People with Disabilities, as well as with provincial departments responsible for health and social development. In the year under review, 2 087 wheelchairs were delivered, bringing the cumulative total to 9 157 since the Wheelchair Donation programme started some nine years ago.

Wheelchair Tennis South Africa (W TSA), an affiliate of the International Tennis Federation, has now been Airports Company South Africa's flagship mobility project for eight years. This has been a true success story, with the sport, which only started in South Africa in 2003, going from strength to strength. Every week, about 450 players receive coaching at more than 50 locations around South Africa, bringing a sense of pride and achievement to people whose disabilities had previously largely excluded them from mainstream society.

Through the W TSA programme, South Africa now has a player ranked at number nine in the world, and another ranked tenth: an amazing achievement for such a young sport. It is very probable that South Africa will have wheelchair tennis players competing in the Paralympics in London in August 2012.

For the first time ever on the African continent, the International Tennis Federation (ITF) World Team Cup was held in Pretoria in April 2011. About two hundred wheelchair tennis players, representing 33 countries, competed in the event, which received international media coverage.

The third focus area for the CSI strategy is the protection of the natural environment. Strategic partnerships with organisations such as the World Wide Fund for Nature, South Africa (WWF SA), the Endangered Wildlife Trust (EWT) and BirdLife South Africa provide the platforms for Airports Company South Africa to fulfil its environmental commitments. Greening initiatives, often undertaken by individual airports, complement the objectives and involve staff members.

As a means of providing the ability to contribute to mostly charitable causes, the Managing Director's Fund supports a wide variety of initiatives ranging from arts and culture to welfare and children.

Freedom Farm informal settlement

Airports Company South Africa has always endeavoured to create and maintain good relationships with communities that are adjacent to airports, especially those that are directly affected by an airport's proximity.

Such a case is that of Freedom Farm informal settlement, which has been in existence since 1992 on land on the periphery of Cape Town International Airport. In fact, 70 percent of the land that the settlement occupies is owned by Airports Company South Africa. Over the years, the airport has established and maintained good relations with the community, getting involved with feeding schemes, crèches and other community projects.

Negotiations with the City of Cape Town commenced in 2009 and resulted in the residents being included in the City's formal housing programme. Furthermore, relocation of the settlement would also release the land, owned by the airport, for future development.

The outcome has proved to be positive, with 365 families being relocated by the City of Cape Town to new, formal housing away from the airport. The programme started in October 2011 and is scheduled for completion in May 2012.

Unfortunately, over time the settlement has grown from the original 505 families (all of whom the City has committed to relocate) to a total of 889 families, many of which do not qualify for formal housing. To further exacerbate the situation, many of the community leaders, with whom the airport had established good relationships, are among those who have been relocated. This has created a leadership void in the remaining community, which has led to recent protest incidents relating to service delivery and housing.

Of concern are the safety and security risks associated with protest activities in close proximity to the airport perimeter fence. Continued engagement with the City of Cape Town is under way to ensure that relocation of the remaining families within the Freedom Farm informal settlement is undertaken in an equitable manner.

Masakhane Schools Renovation Project

South Africa's rural communities face multiple challenges, foremost of which are unemployment and inadequate education. The South African National Civic Organisation (SANCO) has launched the Masakhane Schools Renovation Project to address this situation head-on. Spearheaded as its flagship commitment, the Sanco Development Institute has instituted a pilot scheme to create a model to reverse rural socio-economic decline.

Situated amongst the wooded hills surrounding Harding in southern Kwazulu-Natal are four primary schools that typify the situation across all nine provinces. The schools' basic infrastructure had deteriorated to such an extent that effective schooling was almost impossible and, in two instances, the schools were not even able to cater for their designated number of learners because of the state of the buildings.

'Masakhane' is an Nguni word meaning 'let us build together' and epitomises the principle of the programme. The project, however, extends far beyond the physical infrastructure improvements, which are crucial to the effectiveness of the schools in the education process. People from each village were employed to carry out the work, receiving on-the-job instruction in building skills. They will be mentored in entrepreneurial opportunities, with community undertakings such as the planting of olive groves for oil and soap production and planting hemp for material and the sewing of school uniforms in the planning phase.